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Supreme Court, U.S.
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No. 08-

IN THE

Supreme Court of the United States

GLOWPRODUCTS.COM,

Petitioner,

v.

LITECUBES, LLC, and CARL R. VANDERSCHUIT,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

PETITION FOR A WRIT OF CERTIORARI

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QUESTIONS PRESENTED

Did the Court of Appeals for the Federal Circuit err in holding that a foreign seller that transfers title to a product FOB the foreign country, and then ships that product to the buyer in the United States, "sells" that product "within the United States" under the statute prohibiting direct patent infringement, 35 U.S.C. § 271(a)?

Did the Court of Appeals for the Federal Circuit err in holding that a foreign seller that transfers title to a product FOB the foreign country, and then ships that product to the buyer in the United States, can violate the exclusive right of a copyright owner to "distribute" copies of a work under 17 U.S.C. § 106(3)?

PARTIES TO THE PROCEEDINGS AND CORPORATE DISCLOSURE STATEMENT

The parties to the proceedings in the United States Court of Appeals for the Federal Circuit were petitioner GlowProducts.com Inc., formerly known as Northern Light Products, Inc. ("GlowProducts.com"), and respondents Litecubes, LLC and Carl Vanderschuit (collectively "Litecubes"). None of these parties is, or is affiliated with an entity that is, publicly held.

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PETITION FOR A WRIT OF CERTIORARI

GlowProducts.com respectfully petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit, insofar as it found GlowProducts.com liable for:

(i) direct patent infringement under 35 U.S.C. § 271(a), as a result of its sale FOB Canada of a product, shipped to a buyer in the United States, which was within the scope of Litecubes' patent; and

(ii) direct copyright infringement under 17 U.S.C. § 106(3), as a result of its sale FOB Canada of a product, shipped to a buyer in the Unites States, which was within the scope of Litecubes' copyright.

OPINIONS BELOW

The opinion of the Federal Circuit is reported at 523 F.3d 1353, and a copy is annexed as Appendix A.

The memorandum and order of the United States District Court for the Eastern District of Missouri is not officially reported, but is available at 2006 U.S. Dist. LEXIS 60575, and a copy is annexed as Appendix B.

The order denying the petition of GlowProducts.com for rehearing and rehearing en banc is not officially reported, but is available at 2008 U.S. App. LEXIS 14170, and a copy is annexed as Appendix C.

JURISDICTION

The Federal Circuit issued its judgment on June 26, 2008, and denied GlowProducts.com's petition for rehearing and for rehearing en banc by an order entered on June 19, 2008. This Court has jurisdiction to consider this petition under 28 U.S.C. § 1254(1), which is being filed within the time allowed by law.

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

The pertinent portion of the Patent Act, 35 U.S.C. § 271(a), provides:

> "§ 271. Infringement of patent
>
> (a) Except as otherwise provided in this title, whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefor, infringes the patent."

The pertinent portions of the Copyright Act, 17 U.S.C. §§ 106 and 602(a) provide:

> "§ 106. Exclusive rights in copyrighted works
>
> Subject to sections 107 through 122, the owner of copyright under this title has the

exclusive rights to do and to authorize any of the following:

* * * * *

(3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending; . . . ."

* * * * *

"§ 602. Infringing importation of copies or phonorecords

(a) Importation into the United States, without the authority of the owner of copyright under this title, of copies or phonorecords of a work that have been acquired outside the United States is an infringement of the exclusive right to distribute copies or phonorecords under section 106, actionable under section 501. This subsection does not apply to –

* * * * *

(2) importation, for the private use of the importer and not for distribution, by any person with respect to no more than one copy or phonorecord of any one work at any

> one time, or by any person arriving from outside the United States with respect to copies or phonorecords forming part of such person's personal baggage; . . ."

STATEMENT OF THE CASE

A. The Parties

Respondent Carl R. Vanderschuit is a citizen of the State of California and owns United States Patent No. 6,416,198 (the "Patent"), for a lighted ice cube. He exclusively licensed the Patent to Respondent Litecubes, LLC, a California limited liability company. Litecubes LLC owns United States Copyright Registration No. VA 1-117-699, for a three dimensional sculpture (the "Copyright").

GlowProducts.com is a corporation organized under the laws of the nation of Canada. It is engaged in the business of selling novelty products. Like many businesses, it markets its products over the Internet. One product it sold, a lighted ice cube, was within the scope of Litecubes' Patent and Copyright. GlowProducts.com took orders for those lighted ice cubes from buyers located throughout the world, including the United States, transferred title to them FOB Canada and shipped them to those buyers. The sale of the lighted ice cubes did not violate the rights of any person under any Canadian law.

B. The Proceedings in the District Court

On April 23, 2004, Litecubes commenced an action in the United States District Court for the Eastern District of Missouri, alleging infringement of its Patent. By a first amended complaint filed September 24, 2004, Litecubes added a claim for, *inter alia*, infringement of its Copyright.

The district court tried the action beginning on October 3, 2005. On October 7, 2005, the jury returned a verdict:

(i) finding that GlowProducts.com had infringed the Patent and Copyright of Litecubes;

(ii) finding that the infringement was willful; and

(iii) awarding no damages for patent infringement, but $150,000 in damages for copyright infringement.

GlowProducts.com filed a motion for judgment as a matter of law, arguing that the evidence did not support the jury's verdict of infringement on either the copyright or patent claims.

In an opinion entered August 25, 2006, annexed as Appendix B, the district court denied that motion and awarded costs to Litecubes in the amount of $16,607.49. In an order entered February 22, 2007, it awarded attorneys' fees to Litecubes of $466,363, bringing the total award of costs and attorneys' fees to $482,970.49.

On September 25, 2006, GlowProducts.com filed its notice of appeal to the Federal Circuit.

C. The Proceedings in the Federal Circuit

The Federal Circuit exercised appellate jurisdiction pursuant to 28 U.S.C. § 1295.

In an opinion entered April 28, 2008 (the "Decision"), annexed as Appendix A, the Federal Circuit held that the direct patent infringement statute, 35 U.S.C. § 271(a), extended to a foreign seller that transferred title to the product FOB Canada and shipped that product to a buyer located in the United States. (A-35a) The Federal Circuit also held that a foreign seller that transferred title to the product FOB Canada and shipped that product to a buyer located in the United States can violate the exclusive right of a copyright owner to "distribute" copies of the work under 17 U.S.C. § 106(3). (A-38a)

On May 12, 2008, GlowProducts.com filed a petition for rehearing and rehearing en banc. At the Federal Circuit's request, Litecubes filed a response to the petition on May 27, 2008. By order entered June 19, 2008, annexed as Appendix C, and without modifying the Decision, the Federal Circuit denied the petition.

REASONS FOR GRANTING THE PETITION

I.

THE FIRST QUESTION PRESENTED, WHETHER DIRECT PATENT INFRINGEMENT UNDER 35 U.S.C. § 271(a) EXTENDS TO A FOREIGN SELLER TRANSFERRING TITLE TO THE PRODUCT IN A FOREIGN COUNTRY, IMPLICATES IMPORTANT FEDERAL ISSUES OF INTERNATIONAL TRADE AND FOREIGN RELATIONS THAT THIS COURT SHOULD RESOLVE

In *Microsoft Corp. v. AT&T Corp.*, __ U.S. __, __, 127 S. Ct. 1746, 1750, 167 L. Ed. 2d 737, 742 (2007), this Court stated "[i]t is the general rule under United States patent law that no infringement occurs when a patented product is made and sold in another country."

The first issue presented for review addresses a basic ambiguity as to where a sale occurs: Can a foreign seller that transfers title to a product FOB the foreign country, and then ships that product to a buyer in the United States, be liable for selling that product "within the United States" for purposes of the statute prohibiting direct patent infringement, 35 U.S.C. § 271(a)?

The Federal Circuit held that § 271(a) can impose strict liability for direct patent infringement on such a foreign seller, even though the foreign seller has committed no physical act within the United States. (A-35a)

A. The Ramifications of the Decision on International Trade and Foreign Relations.

The Federal Circuit has, subject to limited exceptions, nationwide jurisdiction over all patent infringement actions. 28 U.S.C. § 1295; *The Holmes Group, Inc. v. Vornado Air Circulation Systems, Inc.*, 535 U.S. 826, 122 S. Ct. 1889, 153 L. Ed. 2d 13 (2002). The Decision of the Federal Circuit is therefore, for all practical purposes, controlling precedent in the entire United States, not simply in a regional circuit.

If one accepts the premise that international businesses will plan their activities in response to the Decision, then one can reasonably predict that the Decision will change the way foreign businesses sell their products to United States buyers. As a consequence of that change, one can reasonably predict an impact on United States consumers, United States exporters and, potentially, United States foreign relations. Specifically, under the Decision of the Federal Circuit, a rational foreign seller[1] would, over the course of time, consider

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1. The Decision impacts not only foreign businesses selling to individual United States buyers, but also foreign businesses selling to United States distributors. Patent owners have nothing to lose by suing a foreign seller after settling with the United States distributor. *See e.g. SEB S.A. v. Montgomery Ward & Co. Inc*, 412 F. Supp.2d 336 (S.D.N.Y. 2006) Design patent owners have an incentive to sue a foreign seller to recover the seller's profits under 35 U.S.C. § 289. *See e.g. Wing Shing Products (BVI) Ltd. v. Simatelex Manufactory Co. Ltd.*, 479 F. Supp.2d 388 (S.D.N.Y. 2007). Even if the impact of the Decision would be limited to foreign sellers selling to individual buyers in the (Cont'd)

the following strategies before shipping an order to a United States buyer.

(1) Foreign sellers could refuse to sell the product to any buyer located in the United States, without making any investigation as to whether the product is within the scope of any patent. The experience of GlowProducts.com in the present case demonstrates that this reaction would be rational. A lighted ice cube product, which the jury found caused no damages for patent infringement, resulted in a judgment on the patent claim for costs and attorneys' fees of $482,970.49. If foreign sellers refused to sell products to United States buyers based upon the chilling effect of potential patent litigation, United States consumers will feel that chill in terms of restricted choices for non-patented products and, based upon the reduction in competition in the market for those non-patented products, higher prices.

(2) Foreign sellers could conduct a patent search for the product and, if the product cleared that hurdle, attempt to pass on the cost of the patent search to their United States buyers in the form of higher prices.

(Cont'd)

United States, the Internet has caused that market to increase dramatically. Economic research group Forrester Research, Inc. has estimated that retail e-commerce will exceed $204 billion in 2008. Shop.org, "Online Sales to Climb Despite Struggling Economy," April 8, 2008. *http://www.shop.org/c/journal_articles/view_article_content?groupId=1&articleId=702&version=1.0*

(3) Foreign sellers could reorganize their financial assets to protect them from a potential United States judgment for patent infringement. This would involve, at a minimum, reducing their investments in the United States. To some degree, this would hurt the United States economy.

(4) Foreign sellers, acting in conjunction with the lawmakers in their foreign countries, could retaliate against United States sellers exporting products to that foreign country by imposing reciprocal liability on those United States sellers. An essential purpose of the presumption against extraterritoriality, discussed below, is to discourage foreign countries from attempting to regulate conduct within the United States. *Microsoft Corp.*, *supra*, __ U.S. at __, 127 S. Ct. at 1758, 167 L. Ed. 2d at 750-751 ("Our patent system makes no claim to extraterritorial effect; our legislation 'd[oes] not, and [was] not intended to, operate beyond the limits of the United States, and **we correspondingly reject the claims of others to such control over our markets.**'" *quoting Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 531, 92 S. Ct. 1700, 1708, 32 L. Ed. 273, 282 (1972) (Emphasis added.) Once the United States attempts to regulate conduct lawful within a foreign country, it is only a matter of time before a foreign country attempts to regulate conduct lawful within the United States. **One can imagine the dismay of a United States seller of a product lawfully sold in the United States, accepting an order from, and shipping that product to, a Chinese buyer, only to be served with a complaint in a Chinese lawsuit asserting a strict liability claim for infringement of a Chinese patent.**

Accordingly, while the Federal Circuit's Decision created a boon to United States patent owners, the Federal Circuit's Decision also created a policy that over time will impact United States consumers, United States exporters, and, potentially, United States foreign relations. One would reasonably expect that, before the Federal Circuit created such a policy, it would have considered a wealth of evidence demonstrating that Congress intended to promote that policy. As explained below, the Decision demonstrates that the Federal Circuit considered no such evidence.

B. Congressional Intent, the Presumption Against Extraterritoriality and the State Law Rationale for the Decision.

While stating that the scope of its inquiry was to determine whether Congress intended § 271(a) to reach a foreign company selling a product FOB the foreign country and shipping it to a customer located in the United States, the Federal Circuit did not focus on that inquiry. 523 F.3d at 1368-1372; A-30a-35a.

The Federal Circuit did not consider the plain meaning of the word "sells" in § 271(a). The word "sells" means the transfer of title or property for consideration. "To dispose of by sale. To transfer title or possession of property to another in exchange for valuable consideration." *Black's Law Dictionary* 948 (Abridged 6th ed. 1991). In *Bauer & Cie v. O'Donnell*, 229 U.S. 1, 11, 33 S. Ct. 616, 617, 57 L. Ed. 1041. 1044 (1913), this Court addressed a prior version of the Patent Act and stated that the word "vend," the predecessor of the word "sells" in the current statute, is "a term readily

understood and of no doubtful import. Its use in the statute secured to the inventor the exclusive right to transfer the title for a consideration to others." In *NTP, Inc. v. Research In Motion, Ltd.*, 418 F.3d 1282, 1319 (Fed. Cir. 2005), the Federal Circuit stated "the ordinary meaning of a sale includes the concept of a transfer of title or property." The plain meaning of the word "sells," therefore suggests that the transfer of title to a product FOB a foreign country would not constitute a sale "within the United States."

The Federal Circuit did not consider the structure of § 271(a). Under § 271(a), direct patent infringement applies to one who "imports into" the United States. Specifically absent from § 271(a) is any language that suggests that one who exports a product from a foreign country to the United States is subject to liability. This structure suggests that Congress did not intend to subject a foreign exporter to a claim for direct patent infringement.

The Federal Circuit did not consider the other statutes that Congress created to address the foreign seller of a patented product. The Federal Circuit did not consider, for example, that foreign sellers may be liable for inducing infringement under § 271(b) if they act with a specific intent to cause an infringement. *DSU Medical Corp. v. JMS Co. Ltd.*, 471 F.3d 1293 (Fed. Cir. 2006) The Federal Circuit did not consider the ability of the International Trade Commission to enter an order excluding infringing products from the United States under 19 U.S.C. § 1337. *Yingbin-Nature (Guandong) Wood Industry Co., Ltd. v. International Trade*

Commission, 2008 U.S. App. LEXIS 16210, 87 U.S.P.Q.2d 1590 (Fed. Cir. 2008).

The Federal Circuit did not consider the legislative history that evidenced any Congressional intent on this issue, not to suggest that there was any to consider.

The Federal Circuit did not consider the international trade or foreign relations consequences of the Decision, which may have provided some evidence of Congressional intent.

Given at least a reasonable doubt as to whether Congress intended to regulate acts occurring in a foreign country, the Federal Circuit should have applied the presumption against extraterritoriality. In *Microsoft Corp.*, *supra*, __ U.S. at __, 127 S. Ct. at 1758, 167 L. Ed. 2d at 750 (2007), in reversing the Federal Circuit's earlier attempt to expand the extraterritorial application of the patent law, this Court stated:

> "Any doubt that Microsoft's conduct falls outside § 271(f)'s compass would be resolved by the presumption against extraterritoriality, on which we have already touched. **The presumption that United States law governs domestically but does not rule the world applies with particular force in patent law.** The traditional understanding that our patent law 'operate[s] only domestically and d[oes] not extend to foreign activities,' is embeded in the Patent Act itself, which provides that a patent confers exclusive rights in an invention within the United States." (Internal citations omitted; Emphasis added.)

Rather than apply the presumption against extraterritoriality, the Federal Circuit rested its entire analysis upon two, and only two, of its own precedents, *North American Philips Corp. v. American Vending Sales, Inc.*, 35 F.3d 1576 (Fed. Cir. 1994), and *MEMC Electronic Materials, Inc. v. Mitsubishi Materials Silicon Corp.*, 420 F.3d 1369 (Fed. Cir. 2005). (A-32a-35a)

North American Philips did not involve § 271(a). Rather, it involved whether a sale FOB a foreign port constitutes the transaction of business under the Illinois long-arm statute. 35 F.3d at 1578. The Federal Circuit's reliance upon this decision to determine whether Congress intended to subject foreign sellers shipping products to the United States to liability under § 271(a) is improper. The legislatures are different, the statutes are different and the policies behind the statutes are different. Following *North America Philips* would not lead to a proper interpretation of § 271(a), except by accident.

While *MEMC Electronic Materials* did involve § 271(a), it did not impose liability on a foreign seller. In that case, the Federal Circuit held that a foreign seller's sale of a product to a foreign buyer outside of the United States did not subject the seller to liability under § 271(a), even though the foreign seller knew that the product would later be shipped to the United States. 420 F.3d at 1377. To reach the opposite result in the present case, the Federal Circuit relied primarily upon its personal jurisdiction decision in *North American Philips*.

Thus, unless this Court intervenes, the Federal Circuit will have established an international trade policy of the United States, without any guidance from Congress, without applying the presumption against extraterritoriality, and without engaging in an analysis materially beyond its 1994 interpretation of the Illinois long-arm statute.

II.

THE COURT SHOULD RESOLVE THE PARALLEL QUESTION UNDER THE COPYRIGHT LAW TO CREATE UNIFORMITY IN THE LAW OF INTELLECTUAL PROPERTY ENFORCEMENT

If this Court grants the petition for a writ of certiorari for the question involving the extraterritorial application of the patent law, it should also grant the writ to address the question involving the extraterritorial application of the copyright law.

Both the patent law and the copyright law provide the same solution to the problem of a foreign seller shipping infringing products to the United States. Under 35 U.S.C. § 271(a), one who imports an infringing product into the United States is a direct infringer. The patent statute is silent as to foreign exporters.

Sections 106(3) and 602(a) of the Copyright Act create the same structure as the Patent Act. Under those sections, the importer of an infringing product is directly liable for infringement. The copyright statute is silent as to foreign exporters.

"§ 106. Exclusive rights in copyrighted works

Subject to sections 107 through 122, the owner of copyright under this title has the exclusive rights to do and to authorize any of the following:

* * * * *

(3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending."

* * * * *

§ 602. Infringing importation of copies or phonorecords

(a) Importation into the United States, without the authority of the owner of copyright under this title, of copies or phonorecords of a work that have been acquired outside the United States is an infringement of the exclusive right to distribute copies or phonorecords under section 106, actionable under section 501. This subsection does not apply to. . . ."

The fact that Congress did not provide that the export of an infringing product from a foreign country to the United States constitutes copyright infringement demonstrates that Congress did not intent to extend the extraterritorial reach of the Copyright Act in that

manner. The Decision did not address that fact, as it did not even cite § 602.

Instead, the Federal Circuit relied upon *Palmer v. Braun*, 376 F.3d 1254, 1258 (11th Cir. 2004), which affirmed a finding of liability for copyright infringement based upon defendant's importation into the United States of 25 copies of a book intended for further distribution. The Federal Circuit, however, did not reach the issue of whether GlowProducts.com imported the infringing product.

Accordingly, if the Court grants the writ to hear the extraterritoriality issue under the patent law, it should also grant the writ to consider the analogous issue under the copyright law.

CONCLUSION

For the foregoing reasons, GlowProducts.com respectfully requests that this Court grant its petition for a writ of certiorari.

Respectfully submitted,

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APPENDIX

APPENDIX A — OPINION OF THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT DECIDED APRIL 28, 2008

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

No. 2006-1646

LITECUBES, LLC, and
CARL R. VANDERSCHUIT,

Plaintiffs-Appellees,

v.

NORTHERN LIGHT PRODUCTS, INC. (doing business as GlowProducts.com),

Defendant-Appellant.

Appeal from the United State District Court for the Eastern District of Missouri in case no. 4:04-CV-00485, Judge E. Richard Webber.

DECIDED: April 28, 2008

Before NEWMAN, *Circuit Judge*, ARCHER, *Senior Circuit Judge*, and GAJARSA, Circuit Judge.

GAJARSA, *Circuit Judge*.

This patent and copyright case requires that we clarify the often-confused boundary between elements of a federal claim, which must be established before

relief can be granted, and the requirements for establishing subject matter jurisdiction. Plaintiffs-Appellees Litecubes, LLC and Carl R. Vandershuit (collectively "Litecubes"), brought an action in the U.S. District Court for the Eastern District of Missouri alleging patent and copyright infringement by Defendant-Appellant Northern Lights Products, Inc., doing business as GlowProducts.com ("GlowProducts"). The district court entered a judgment against GlowProducts after a jury verdict of copyright and patent infringement. Subsequently, GlowProducts filed a motion to dismiss the case for lack of subject matter jurisdiction on the grounds that it did not sell the allegedly infringing products within the United States, nor import the products into the United States. The district court denied the motion on the grounds that GlowProducts did import the goods into the United States.

GlowProducts appeals the denial of its motion to dismiss for lack of subject matter jurisdiction. We affirm the district court's denial of the motion to dismiss, but do so on different grounds. The district court erred in treating the issue of whether the goods had been imported into the United States as an issue impacting its subject matter jurisdiction. A plaintiff must prove that allegedly infringing activity took place in the United States to prevail on claims of patent or copyright infringement, but as with any other element of the claims, failure to do so does not divest the federal courts of subject matter jurisdiction over the action.

Appendix A

We also affirm the district court's denial of GlowProducts' motion for a judgment as a matter of law. Substantial evidence supports the jury's finding of infringement.

We have jurisdiction to hear the appeal pursuant to 28 U.S.C. 1295(a)(1).

I.

A.

Vanderschuit is the owner and founder of Litecubes, and the inventor and owner of U.S. Patent No. 6,416,198 (the "'198 patent"). The '198 patent discloses an illuminatable novelty item that can be placed in beverages, i.e., a lighted artificial "ice cube." Litecubes is the licensee of the '198 patent and the owner of a registered copyright on the Litecube (the "Litecube Copyright").

Litecubes asserted three independent claims from the '198 patent, claims 1, 16, and 31. Claim 1 claims:

> An illuminatable beverage accessory device comprising:
>
> a. at least one light source;
>
> b. at least one power source switchably connected to said light source;

c. a cartridge having a light-source chamber to contain said light source, a power-source chamber below said light-source chamber, and two wire lead channels on the cartridge underside and in communication with said light-source chamber;

d. a lid under said cartridge, said lid having a lid chamber mating with said power-source chamber to thereby contain said power-source therein and further having a power-switching means for powering said at least one light source into and from an on-light mode into and from an off-light mode;

e. a housing covering said cartridge and said lid such that a cavity is defined therein and a water-tight integrity is maintained within said housing; and

f. a filler within said cavity, *said filler adapted to retain heat when said device is heated.*

'198 patent cols. 7-8 (emphasis added). Claim 16 is identical to claim 1 except that subpart (f) requires "a filler within said cavity, said filler adapted to retain cold when said device is cooled." *Id.* cols. 8-9. Claim 31 differs from claims 1 and 16 in that (a) it does not require a filler adapted to retain heat or cold, and (b) it requires that the power source "reciprocally translate . . . from an open light-on mode to a closed light-off mode." *Id.* cols. 9-10.

Appendix A

At a *Markman* hearing, the district court construed the claim 1 term "a filler within said cavity, said filler adapted to retain heat when said device is heated" to mean "filler within said cavity, *said filler made suitable to or fit for the specific use of retaining heat* when said device is heated." *Litecubes v. N. Light Prods., Inc.*, No. 4:04cv00485 (E.D.Mo. March 7, 2005) ("*Markman Order*") (emphasis added). Similarly, the district construed the relevant term in claim 16 to mean "filler within said cavity, *said filler made suitable to or fit for the specific use of retaining cold* when said device is cooled." *Id.* (emphasis added). Neither party challenges these constructions on appeal.

B.

GlowProducts is a Canadian corporation operating from its offices in Victoria, British Columbia, which acquires novelty items from Chinese manufacturers and then sells the items primarily in North America. GlowProducts does not have offices, facilities, or assets in the United States. Evidence at trial, however, established that GlowProducts sold the accused products directly to customers located in the United States and that GlowProducts would ship the products, f.o.b.,[1] from its Canadian offices to its customers in the United States.

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1. "F.o.b" or "free on board" is "a method of shipment whereby goods are delivered at a designated location, usually a transportation depot, at which legal title and thus the risk of loss passes from seller to buyer." *MEMC Elec. Materials, Inc. v. Mitsubishi Materials Silicon Corp.*, 420 F.3d 1369, 1374 n. 3 (Fed.Cir.2005).

Appendix A

Two types of products sold by GlowProducts are at issue, the EXA cubes and the ICM cubes (which include the "8 Mode Multi Cube" and the "3 Setting Flashing Lighted Ice Cube"). Both products are artificial ice cubes containing an L.E.D. and battery. The EXA cubes are nearly identical to the Litecube product ("the Litecube") and include a power source that can "reciprocally translate . . . from an open light-on mode to a closed light-off mode," '198 patent cols. 9-10. GlowProducts does not allege any error on the merits in the jury's finding that the "EXA" cube infringed claim 31; nor does it contest the merits of the jury's finding that the EXA cube infringes the Litecube Copyright.

The ICM cubes are a different shape than the Litecube and, thus, were not alleged to have infringed the Litecube Copyright. Nor do they have a reciprocally translating power source as required by claim 31. Accordingly, at issue at trial was whether they infringe claims 1 and 16 of the '198 patent. In dispute was only whether the ICM cubes meet the limitation that the cube contain a filler adapted to retain heat or cold when the device is heated or cooled. GlowProducts concedes that the ICM cubes meet all of the remaining limitations of claims 1 and 16.

C.

Litecubes filed this action in April 2004. A five-day jury trial was held in October 2005. Midway through trial, GlowProducts raised for the first time the issue of subject matter jurisdiction, arguing that the trial court

did not have jurisdiction over the claims because there was no evidence that at the time the lawsuit was brought GlowProducts had made any sales in the United States or imported products into the United States. Trial Tr. vol. III 169. GlowProducts' theory was that because its sales to United States' customers were shipped f.o.b., the sales took place in Canada and that it was the customer who imported the goods into the United States.

After the trial had concluded and the jury entered a verdict of willful infringement, GlowProducts filed a motion to dismiss for lack of subject matter jurisdiction on these grounds. Neither Litecubes nor the district court challenged GlowProducts characterization of the issue as jurisdictional. Instead Litecubes opposed the motion on the grounds that there was ample evidence that GlowProducts had sold, offered to sell, or imported the allegedly infringing products to the United States. *Id.* The district court agreed. The court denied GlowProducts' motion, finding evidence of infringement "sufficient to establish subject matter jurisdiction in this Court" because GlowProducts "clearly imported the accused products into the United States." *Litecubes v. N. Light Prods., Inc.*, No. 4:04cv00485, at *3 (E.D.Mo. Aug. 25, 2006) (*Memorandum and Order*). The district court did not reach the issue of whether there were sales or offers to sell in the United States.[2] The district court

2. Litecubes had not initially pled infringement based on importation, relying instead only on the sale and offer to sell prongs of § 271. However the court allowed Litecubes leave to

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also dismissed GlowProducts' motions for judgment as a matter of law ("JMOL"), concluding that substantial evidence supported the jury verdict. *Id.* at *12

After the district court issued a final judgment, GlowProducts appealed. In their initial briefing to this court, both parties assumed, without any analysis, that the issue of whether there was allegedly infringing activity in the United States was jurisdictional. However, because we have an independent obligation to properly determine our own jurisdiction, the panel requested that the parties be prepared to discuss at oral argument:

> Whether failing to establish that an alleged infringer "makes, uses, offers to sell, or sells any patented invention, *within the United States* or imports *into the United States* any patented invention" is sufficient to divest the federal courts of subject matter jurisdiction over a patent infringement action, or instead whether the location of the allegedly infringing activity is a factual element of the claim which must be proven to show patent infringement but which does not affect the subject matter jurisdiction of the federal courts.

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amend their complaint to include importation (and held that this amendment would relate back to the initial filing) because the issue was raised at trial.

Letter to Parties (Nov. 29, 2007).[3] At oral argument, Litecubes argued for the first time that the issue was not one of subject matter jurisdiction, but should properly be considered an element of the claim. GlowProducts did not provide any authority to the contrary, suggesting only that it was "not an easy question."[4]

II.

Subject matter jurisdiction is a question of law that we review de novo. *Pennington Seed, Inc. v. Produce Exch. No. 299*, 457 F.3d 1334, 1338 (Fed.Cir.2006); *see also Steel Co. v. Citizens for a Better Env't*, 523 U.S. 83, 95, 118 S.Ct. 1003, 140 L.Ed.2d 210 (1998) ("Every federal appellate court has a special obligation to 'satisfy itself not only of its own jurisdiction, but also that of the lower courts in a cause under review,'. . . ." (quoting *Mitchell v. Maurer*, 293 U.S. 237, 244, 55 S.Ct. 162, 79 L.Ed. 338 (1934))). Pursuant to 28 U.S.C. § 1338(a), "[t]he district courts shall have original jurisdiction of

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3. The parties were also asked to address whether the extraterritorial scope of the Copyright Act was an issue of subject matter jurisdiction and whether that issue should be decided under the Eighth Circuit's or this Circuit's law.

4. Both parties suggested that if the issue was not jurisdictional, this court could still consider whether there was sufficient evidence that the allegedly infringing acts took place within the United States by reviewing the district court's denial of Litecubes' motion for JMOL on this issue, despite Litecubes' failure to appeal the denial of JMOL on this ground.

any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trademarks." Under what is known as the "well-pleaded complaint rule," subject matter jurisdiction exists if a "well-pleaded complaint establishes either that federal patent law creates the cause of action or that the plaintiff's right to relief necessarily depends on resolution of a substantial question of federal patent law, in that patent law is a necessary element of one of the well-pleaded claims." *AT & T Co. v. Integrated Network Corp.*, 972 F.2d 1321, 1323-24 (Fed.Cir.1992) (quoting *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 808, 108 S.Ct. 2166, 100 L.Ed.2d 811 (1988)).

Litecubes alleged in its complaint that GlowProducts violated 35 U.S.C. § 271(a), which provides that "[e]xcept as otherwise provided . . . whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefore, infringes the patent." It is beyond dispute that this statute creates a federal cause of action for patent infringement over which the district courts have subject matter jurisdiction under § 1338(a).[5] And Litecubes, as

5. The district court also has jurisdiction over § 271(a) causes of action under 28 U.S.C. § 1331, the general federal question jurisdictional statute, to which the same well-pleaded complaint rule applies, *Franchise Tax Bd. v. Constr. Laborers Vacation Trust*, 463 U.S. 1, 27-28, 103 S.Ct. 2841, 77 L.Ed.2d 420 (1983).

GlowProducts concedes, properly pled every element of a § 271(a) claim, alleging in Count I of its complaint that GlowProducts has infringed the '198 patent by "offering for sale and/or selling in the United States and in this judicial district illuminatable beverage accessories" that "infringe one or more claims of the '198 patent." Compl. ¶ 26.

Nevertheless, GlowProducts argues that even though Litecubes' well-pleaded complaint establishes that federal patent law creates the cause of action, there is no subject matter jurisdiction over this suit because Litecubes has failed to prove that GlowProducts sold or offered to sell products in the United States or imported products into the United States.

Subject matter jurisdiction does not fail simply because the plaintiff might be unable to ultimately succeed on the merits. *See Steel Co.*, 523 U.S. at 89, 118 S.Ct. 1003 ("[J]urisdiction . . . is not defeated . . . by the possibility that the averments might fail to state a cause of action on which petitioners could actually recover." (quoting *Bell v. Hood*, 327 U.S. 678, 682, 66 S.Ct. 773, 90 L.Ed. 939 (1946))). To the contrary, "[i]t is firmly established . . . that the absence of a valid (as opposed to arguable) cause of action does not implicate subject-matter jurisdiction, i.e., the courts' statutory or constitutional *power* to adjudicate the case." *Id.* (emphasis in original). Thus, a failure to prove the allegations alleged in a complaint requires a decision on the merits, not a dismissal for lack of subject matter jurisdiction. *See, e.g., Binderup v. Pathe Exch., Inc.*, 263 U.S. 291, 305, 44 S.Ct. 96, 68 L.Ed. 308 (1923). Indeed even if, unlike here, the complaint fails to allege a cause

of action upon which relief can be granted, this "failure to state a proper cause of action calls for a judgment on the merits and not for a dismissal for want of jurisdiction."[6] *Bell*, 327 U.S. at 682, 66 S.Ct. 773.

As the Supreme Court long ago held:

> A complaint setting forth a substantial claim under a federal statute presents a case within the jurisdiction of the court as a federal court; and this jurisdiction cannot be made to stand or fall upon the way the court may chance to decide an issue as to the legal sufficiency of the facts alleged any more than upon the way it may decide as to the legal sufficiency of the facts proven. Its decision either way upon either question is predicated upon the existence of jurisdiction, not upon the absence of it.

Binderup, 263 U.S. at 305, 44 S.Ct. 96; *see also Christianson*, 486 U.S. at 807-08 (noting the

6. There is a limited and narrow exception to Bell's general rule if the federal claim pled is "immaterial and made solely for the purpose of obtaining jurisdiction" or "wholly insubstantial and frivolous." *Steel Co.*, 523 U.S. at 89, 118 S.Ct. 1003. Dismissal for lack of subject matter jurisdiction on the grounds that the federal claim asserted is not colorable, however, is "proper only when the claim is 'so insubstantial, implausible, foreclosed by prior decisions of this Court, or otherwise completely devoid of merit as not to involve a federal controversy.'" *Id.* (quoting *Oneida Indian Nation of N.Y. v. County of Oneida*, 414 U.S. 661, 666, 94 S.Ct. 772, 39 L.Ed.2d 73 (1974)). This is clearly not our case.

longstanding rule that "in order to demonstrate that a case is one 'arising under' federal patent law 'the plaintiff must set up some right, title or interest under the patent laws, or at least make it appear that some right or privilege will be defeated by one construction, or sustained by the opposite construction of these laws.'" (quoting *Pratt v. Paris Gas Light & Coke Co.*, 168 U.S. 255, 259, 18 S.Ct. 62, 42 L.Ed. 458 (1897))); *Montana-Dakota Utils. Co. v. N.W. Pub. Serv. Co.*, 341 U.S. 246, 249, 71 S.Ct. 692, 95 L.Ed. 912 (1951) ("Petitioner asserted a cause of action under the Power Act. To determine whether that claim is well founded, the District Court must take jurisdiction, whether its ultimate resolution is to be in the affirmative or the negative. If the complaint raises a federal question, the mere claim confers power to decide that it has no merit, as well as to decide that it has.").

Accordingly, there can be no question that Litecubes' allegations, which state a claim under the patent laws, are sufficient to create general federal question jurisdiction. Moreover, while Congress can restrict the federal question jurisdiction granted in § 1331 or § 1338, for example by mandating that a certain threshold fact be established in order for the federal court to have jurisdiction over a particular cause of action,[7] the Supreme Court has recently reiterated

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7. "[C]ertain statutes confer subject-matter jurisdiction only for actions brought by specific plaintiffs, *e.g.*, 28 U.S.C. § 1345 (United States and its agencies and officers); 49 U.S.C. § 24301(*l*)(2) (Amtrak), or for claims against particular

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in a unanimous opinion that it is critical to distinguish between a statutory limitation that is truly jurisdictional and one that is simply an element of the claim that must be established on the merits. *Arbaugh v. Y & H Corp.*, 546 U.S. 500, 126 S.Ct. 1235, 163 L.Ed.2d 1097 (2006). As the Supreme Court explained, there are important consequences of labeling a requirement as a "determinant of subject-matter jurisdiction, rather than an element of [the plaintiff's] claim for relief":

> First, "subject-matter jurisdiction, because it involves the court's power to hear a case, can never be forfeited or waived." Moreover, courts, including this Court, have an independent obligation to determine whether subject-matter jurisdiction exists, even in the absence of a challenge from any party. . . .
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> Second, in some instances, if subject-matter jurisdiction turns on contested facts, the trial judge may be authorized to review the

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defendants, *e.g.*, 7 U.S.C. § 2707(e)(3) (persons subject to orders of the Egg Board); 28 U.S.C. § 1348 (national banking associations), or for actions in which the amount in controversy exceeds, *e.g.*, 16 U.S.C. § 814, or falls below, *e.g.*, 22 U.S.C. § 6713(a)(1)(B), 28 U.S.C. § 1346(a)(2), a stated amount." *Arbaugh*, 546 U.S. at 516, 126 S.Ct. 1235. And at times Congress has enacted a separate provision limiting the scope of the § 1331 in narrow circumstances. *See, e.g., Weinberger v. Salfi*, 422 U.S. 749, 756-61, 95 S.Ct. 2457, 45 L.Ed.2d 522 (holding that 42 U.S.C. § 405(h) bars 28 U.S.C. § 1331 jurisdiction over suits to recover Social Security benefits).

> evidence and resolve the dispute on her own. If satisfaction of an essential element of a claim for relief is at issue, however, the jury is the proper trier of contested facts.
>
> Third, when a federal court concludes that it lacks subject-matter jurisdiction, the court must dismiss the complaint in its entirety. . . . In contrast, when a court grants a motion to dismiss for failure to state a federal claim, the court generally retains discretion to exercise supplemental jurisdiction, pursuant to 28 U.S.C. § 1367, over pendent state-law claims.

Id. at 514, 126 S.Ct. 1235 (internal citations omitted).

The Court cautioned that courts have at times erroneously called a limitation jurisdictional that was actually simply an element of the claim:

> On the subject-matter jurisdiction/ingredient-of-claim-for-relief dichotomy, this Court and others have been less than meticulous. "Subject matter jurisdiction in federal-question cases is sometimes erroneously conflated with a plaintiff's need and ability to prove the defendant bound by the federal law asserted as the predicate for relief—a merits-related determination."

Id. at 511, 126 S.Ct. 1235 (quoting 2 J. Moore et al., *Moore's Federal Practice* § 12.30[1], at 12-36.1 (3d ed.2005)); *see also Steel Co.*, 523 U.S. at 90, 118 S.Ct. 1003 ("'Jurisdiction . . . is a word of many, too many, meanings'"); *Montana-Dakota Utils. Co.*, 341 U.S. at 249, 71 S.Ct. 692 (holding that the Court of Appeals erred in reversing a judgment of the district court on the grounds that there was no subject matter jurisdiction, noting that "[a]s frequently happens where jurisdiction depends on subject matter, the question whether jurisdiction exists has been confused with the question whether the complaint states a cause of action"). To prevent such mischaracterizations, the *Arbaugh* Court issued a "readily administrable bright line rule": "If the Legislature clearly states that a threshold limitation on a statute's scope shall count as jurisdictional, then courts and litigants will be duly instructed. . . . But when Congress does not rank a statutory limitation on coverage as jurisdictional, courts should treat the restriction as non-jurisdictional in character." *Id.* at 516, 126 S.Ct. 1235.

Here, Congress has not clearly stated in 35 U.S.C. § 271 or in any other statute that § 271's requirement that the infringing act happen within the United States is a threshold jurisdictional requirement as opposed to an element of the claim. To the contrary, the statute, which creates liability for patent infringement on "whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefore"

in no way distinguishes the territorial limitation from any of the other elements necessary to show infringement. *Id.*

In most situations our analysis would end there- *Arbaugh*'s bright line rule mandates that the requirement that the allegedly infringing act occur in the United States be treated as non-jurisdictional. However, at least pre- *Arbaugh*, there has been a particular tendency among courts and litigants to label limitations on the extraterritorial reach of a statute as "jurisdictional."[8] We therefore must consider whether there is something unique about a limitation that determines the extraterritorial scope of a statute that converts what would otherwise be a factual element of the claim into a restriction on the subject matter jurisdiction of the federal courts. We conclude that there is not.

There is no absolute rule prohibiting the extraterritorial reach of federal statutes. Rather, it is well-established that "Congress has the authority to enforce its laws beyond the territorial boundaries of the United States." *E.E.O.C. v. Arabian Am. Oil Co.*, 499 U.S. 244, 248, 111 S.Ct. 1227, 113 L.Ed.2d 274 (1991). Whether Congress did extend any particular statute to

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8. *See, e.g., McBee v. Delica*, 417 F.3d 107 (1st Cir.2005) (Lanham Act); *United Phosphorus, Ltd. v. Angus Chem. Co.*, 322 F.3d 942 (7th Cir.2003) (en banc) (Foreign Trade Antitrust Improvement Act); *Mannington Mills, Inc. v. Congoleum Corp.* 595 F.2d 1287 (3d Cir.1979) (Sherman Antitrust Act); *Des Brisay v. Goldfield Corp.*, 549 F.2d 133 (9th Cir.1977) (Securities Act).

reach extraterritorial activity is simply a question of statutory interpretation.[9] If Congress has extended a cause of action to reach extraterritorial activity, there is no independent bar to the federal courts adjudicating such extraterritorial disputes, providing a court has personal jurisdiction over the defendants.[10] Thus, in these respects, a limitation on the extraterritorial scope of a statute is no different than any other element of a claim which must be established before relief can be granted under a particular statute.

Congressional authority to regulate extraterritorial behavior does implicate a type of "jurisdiction"—the "jurisdiction to prescribe" recognized under international law. The "jurisdiction to prescribe" is a state's authority to "make its law applicable to the activities, relations, or status of persons," including its "authority to subject foreign interests or activities to

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9. While there is a presumption that Congress does not intend a statute to apply to extraterritorial activity, it is only a presumption and can be rebutted if Congress has clearly expressed an affirmative intention to the contrary. *Id.*

10. The personal jurisdiction requirement-which prevents federal courts from exercising authority over defendants without sufficient contacts with the United States, *see Int'l Shoe Co. v. Washington*, 326 U.S. 310, 66 S.Ct. 154, 90 L.Ed. 95 (1945)—is an important limitation on the jurisdiction of the federal courts over purely extraterritorial activity that is independent of the extraterritorial reach of a federal statute or the court's subject matter jurisdiction. Here, there is no dispute that the district court had personal jurisdiction over GlowProducts.

its laws." Restatement (Third) of the Foreign Relations Law of the United States § 401 & comment a (1987) ("Restatement"); *see also Hartford Fire Ins. Co. v. California*, 509 U.S. 764, 813, 113 S.Ct. 2891, 125 L.Ed.2d 612 (1993) (Scalia, J., dissenting).[11] But as the influential Restatement recognizes, this type of "jurisdiction" is distinct from a court's "jurisdiction to adjudicate" or from the domestic law concept of the "subject matter jurisdiction" of federal courts.

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11. It is well-established that international law does not provide an independent limitation on Congress' legislative authority. *See, e.g., Lauritzen v. Larsen*, 345 U.S. 571, 578, 73 S.Ct. 921, 97 L.Ed. 1254 (1953). But it is the international law concept of territorial limitations on the jurisdiction to prescribe that underlays the longstanding presumption that Congress does not intend its statute to have extraterritorial effect. *See, e.g., F. Hoffmann-La Roche Ltd. v. Empagran S.A.*, 542 U.S. 155, 163, 124 S.Ct. 2359, 159 L.Ed.2d 226 (2004) ("[T]his Court ordinarily construes ambiguous statutes to avoid unreasonable interference with the sovereign authority of other nations."); *Murray v. The Charming Betsy*, 6 (Cranch) U.S. 64, 118, 2 L.Ed. 208 (1804) (Marshall, C.J.). Thus, as discussed above, the question is generally whether Congress has exercised its prescriptive jurisdiction to reach extraterritorial behavior, not whether it has such jurisdiction. Of course, more generally, Congress does have domestic limitations on its jurisdiction to prescribe, or what is also called its legislative jurisdiction—it can only exercise those powers given to it in Article I of the U.S. Constitution. Here this power is provided by Article I Section 8's grant of power "to promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."

Restatement § 401 comments a & c, § 421 comments a & j.[12]

Emphasizing this distinction, the Supreme Court held in *Lauritzen v. Larsen*, 345 U.S. 571, 73 S.Ct. 921, 97 L.Ed. 1254 (1953), that the extraterritorial scope of a statute was an element of the claim, not a requirement of subject matter jurisdiction. In *Lauritzen*, the Court considered whether the Jones Act, which on its face created a cause of action for "any seaman who shall suffer personal injury in the course of his employment," 46 U.S.C. § 688 (1952), applied to a dispute between two Danish citizens that took place on a Danish ship in international waters. Relying on the long-standing presumption that, if possible, statutes should be construed consistent with international law, the Court held as a matter of statutory construction that the Jones Act did not reach such extraterritorial activities. *Lauritzen*, 345 U.S. at 577-93, 73 S.Ct. 921. Nevertheless, the Court dismissed the defendant's contention that the district court was without jurisdiction over the claim. Noting that the defendant had not objected to personal jurisdiction, the Court explained, "[a]s frequently happens, a contention that there is some barrier to granting plaintiff's claim is cast in terms of an exception to jurisdiction of subject matter. A cause of action under our law was asserted here, and

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12. The Restatement notes that some courts have used the term "subject matter jurisdiction" to refer to what it calls jurisdiction to prescribe. Recognizing the confusion this engenders, the Restatement avoids the use of the term "subject matter jurisdiction." Restatement § 401 comment c.

the court had power to determine whether it was or was not well founded in law and in fact." *Id.* at 575, 73 S.Ct. 921 (citing *Montana-Dakota Utils. Co.*, 341 U.S. at 249, 71 S.Ct. 692); *see also Hartford Fire Ins. Co.*, 509 U.S. at 812-13, 113 S.Ct. 2891 (Scalia, J., dissenting) ("It is important to distinguish two distinct questions raised by this petition: whether the District Court had jurisdiction, and whether the Sherman Act reaches the extraterritorial conduct alleged here. . . . Respondents asserted nonfrivolous claims under the Sherman Act, and 28 U.S.C. § 1331 vests district courts with subject-matter jurisdiction over cases 'arising under' federal statutes. . . . The second question-the extraterritorial reach of the Sherman Act-has nothing to do with the jurisdiction of the courts. It is a question of substantive law turning on whether, in enacting the Sherman Act, Congress asserted regulatory power over the challenged conduct.").

Notably, while some courts have, notwithstanding *Lauritzen*, at times referred to the extraterritorial scope of a particular statute as a jurisdictional requirement, in *Arbaugh*, the Supreme Court pointed to one of its own decisions, *E.E.O.C. v. Arabian American Oil Co.*, 499 U.S. 244, 111 S.Ct. 1227, 113 L.Ed.2d 274 (1991), in which it had characterized the extraterritorial effect of Title VII as jurisdictional, as an example of a "drive-by jurisdictional ruling[ ]" in which it had been "less than meticulous" in distinguishing between subject matter jurisdiction and an ingredient of a claim for relief. *Arbaugh*, 546 U.S. at 511, 126 S.Ct. 1235. The Court explained that such cases "should be accorded 'no

precedential effect' on the question of whether the federal court had the authority to adjudicate the claim in suit." *Id.* *Arbaugh*'s treatment of *Arabian American Oil,* coupled with the Court's holding in *Lauritzen,* strongly suggests that limitations on the extraterritorial reach of statutes are subject to *Arbaugh*'s general rule-they should be considered elements of the claim unless Congress has clearly labeled the limitation jurisdictional. *Id.* at 516, 126 S.Ct. 1235.[13]

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13. The Supreme Court's holding in *Arbaugh,* as well as the application of *Arbaugh*'s rule to the extraterritorial scope of a statute, was anticipated in significant respects by the dissent in the Seventh Circuit's en banc decision in *United Phosphorus v. Angus Chemical Co.,* 322 F.3d 942, 953 (7th Cir.2003) (en banc) (Wood, J., dissenting). Judge Wood, writing for herself and three other members of the court concluded the Foreign Trade Antitrust Improvements Act ("FTAIA"), which states that the Sherman Act "shall not apply" to conduct involving foreign trade or commerce unless that conduct has a "direct, substantial and reasonably foreseeable effect" on U.S. commerce, should be construed as an element of an antitrust claim, not an issue of subject matter jurisdiction. Persuasively, Judge Wood explained that "the fact that the FTAIA does not contain a clear congressional statement that it is intended to restrict the subject matter jurisdiction of the federal courts (or for that matter even a brief mention of the term 'jurisdiction') should be enough to resolve the question before us." *Id.* at 955; *see also id.* at 954, 953-65 (faulting the majority for failing to properly distinguish between the subject matter jurisdiction of the courts and Congress's prescriptive jurisdiction and arguing that "the 'subject matter jurisdiction' characterization is inconsistent with the Supreme Court's decision in *Steel Co.*")

Consistent with this understanding, while our court has never addressed the issue explicitly, we have been able to find no instance in which this court has treated the question of whether allegedly infringing activity took place within the United States as a question of subject matter jurisdiction. Rather, either the question has arisen in the context of whether there was personal jurisdiction, *see, e.g., Beverly Hills Fan Co. v. Royal Sovereign Corp.*, 21 F.3d 1558, 1569-72 (Fed.Cir.1994), which is not contested here, or the issue has been treated as an element of the claim that is a question of fact for the jury to decide, *see, e.g., Rotec Indus., Inc. v. Mitsubishi Corp.*, 215 F.3d 1246, 1258 (Fed.Cir.2000) (affirming the district court's grant of summary judgment on the grounds that there had been no offer to sell in the United States because the plaintiff "offers no evidence upon which a reasonable jury could find in its favor" on the issue); *MEMC Elec. Materials, Inc. v. Mitsubishi Materials Silicon Corp.*, 420 F.3d 1369, 1377 (Fed.Cir.2005) (affirming a grant of summary judgment of no direct infringement under 35 U.S.C. § 271(a) because "MEMC has presented no evidence demonstrating that [the alleged infringer] sold the accused wafers . . . in the United States").

We therefore conclude that *Arbaugh*'s rule governs the instant inquiry, and we find, consistent with this court's prior implicit treatment, that Congress has not clearly stated that any of the limitations in § 271 are jurisdictional. Accordingly, we hold that whether the allegedly infringing act happened in the United States is an element of the claim for patent infringement, not a

prerequisite for subject matter jurisdiction.[14] Given this holding, we affirm the district court's denial of GlowProducts' motion to dismiss the patent claims for lack of subject matter jurisdiction, but do so on different grounds. There was no need for the district court to consider whether GlowProducts had imported products into the United States in order to determine whether it had jurisdiction over the case. Litecubes, by alleging a violation of § 271, has properly invoked federal question jurisdiction under § 1331 and § 1338. This jurisdiction does not depend on whether Litecubes is able to succeed on the merits in proving all of the elements of patent infringement that it alleged in the complaint.

III.

GlowProducts also argues that the district court had no subject matter jurisdiction over Litecubes' copyright claims as the U.S. copyright laws have no extraterritorial reach. This Circuit "applies copyright law as interpreted by the regional circuits," here the Eighth Circuit. *PODS, Inc. v. Porta Stor, Inc.*, 484 F.3d 1359, 1368 (Fed.Cir.2007) (quoting *Amini Innovation Corp. v. Anthony Cal., Inc.*, 439 F.3d 1365, 1368 (Fed.Cir.2006)). However "[o]n matters relating to this court's jurisdiction, we apply

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14. Foreign litigants nevertheless have substantial protection if the activity complained of took place wholly outside of the United States. In many such cases, the court may not have personal jurisdiction over the defendant. Moreover, such cases will often be able to be quickly disposed of in a Rule 12(b)(6) motion to dismiss for failure to state a claim or in a motion for summary judgment.

Federal Circuit law, not that of the regional circuit from which the case arose." *Nystrom v. TREX Co.*, 339 F.3d 1347, 1350-51 (Fed.Cir.2003). The question raised here, whether the lack of extraterritorial reach of the Copyright Act limits the subject matter jurisdiction of the federal courts, implicates the substance of the Copyright Act but is ultimately a question of our jurisdiction. Accordingly, we believe that we have an independent obligation to determine for ourselves whether jurisdiction is proper, and we apply Federal Circuit law.[15]

Under the U.S. Copyright Act, the owner of copyright has the exclusive right to "distribute copies . . . of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending." 17 U.S.C. § 106. In addition, the Act provides that "[i]mportation into the United States, without the authority of the owner of copyright under this title, of copies . . . of a work that have been acquired outside the United States is an infringement of the exclusive right to distribute copies . . . under section 106 [17 U.S.C. § 106]." *Id.* § 602. By its terms § 106 does not require that the distribution of the goods occur within the United States. It has long been established, however, that the Copyright Act does not "reach acts of infringement that

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15. Even if we were to apply Eighth Circuit law, we would reach the same result. Neither this court nor the Eighth Circuit has decided the issue presented. Thus our analysis of how the Eighth Circuit likely would decide the issue would be based on the same analysis of Supreme Court and other circuit precedent as here.

take place entirely abroad." *Subafilms Ltd. v. MGM-Pathe Commn'ns Co.*, 24 F.3d 1088, 1098 (9th Cir.1994) (en banc); *see also, e.g., The Robert Stigwood Group Ltd. v. O'Reilly*, 530 F.2d 1096, 1101 (2d Cir.1976) ("Copyright laws do not have extraterritorial operation.").

Both parties stated at oral argument that the Patent Act and the Copyright Act should be interpreted consistently, and thus that if the Patent Act's requirement that the infringing act take place in the United States is not a jurisdictional requirement, the exclusion from the Copyright Act of acts taking place entirely abroad should also not be jurisdictional. We agree.

The principles and case law discussed above, which led us to conclude that the Patent Act's territorial requirement is an element of the claim that must be established to prove infringement, but not a requirement for subject matter jurisdiction, apply equally to the Copyright Act's limitation on the extraterritorial reach of the statute. As discussed, whether the territorial limitation is explicit in the statute, as in the Patent Act, or implied based on the presumption that Congress does not intend its acts to have extraterritorial effect, as in the Copyright Act, the limit on the extraterritorial reach of a statute is a question of statutory interpretation—what did Congress intend the scope of its exercise of prescriptive jurisdiction to be—not an independent limitation on the federal court's authority. And *Arbaugh*'s bright-line rule applies. That is, whether an accused action is within the

extraterritorial limitation should be treated as an element of the claim, not a predicate for subject matter jurisdiction, unless Congress has clearly provided that the limitation is jurisdictional. *See Arbaugh*, 546 U.S. at 516, 126 S.Ct. 1235 ("[W]hen Congress does not rank a statutory limitation on coverage as jurisdictional, courts should treat the restriction as non-jurisdictional in character."); *Lauritzen*, 345 U.S. 571, 73 S.Ct. 921, 97 L.Ed. 1254 (holding that the Jones Act, which on its face had no territorial limitations, did not reach purely extraterritorial activities, but that this requirement was not a limitation of the jurisdiction of the federal courts); *see also supra* Part II.

As in the patent context, in its brief to this court and at the district court, GlowProducts assumed without any analysis that the lack of extraterritorial effect of the copyright laws is a question of subject matter jurisdiction rather than a question of whether a claim upon which relief can be granted has been established. But the cases it relies on provide minimal support for such a position.

GlowProducts' reliance on *Subafilms*, which it cites as its primary authority, is misplaced. While GlowProducts is correct that *Subafilms* is a leading case on the extraterritorial reach of the Copyright Act, *Subafilms* did not hold that the extraterritorial limitation limited the subject matter jurisdiction of the federal courts. Rather, *Subafilms* held that "the mere authorization of acts of infringement that are not cognizable under the United States copyright laws

because they occur entirely outside of the United States *does not state a claim* for infringement under the Copyright Act." 24 F.3d at 1099 (emphasis added). Moreover, *Subafilms* reaffirmed that "the existence of subject matter jurisdiction under 28 U.S.C. § 1338(a) is distinct as a general matter from the question of whether a valid cause of action is stated." *Subafilms*, 24 F.3d at 1091 n. 5. The court further recognized, without deciding, that *Peter Starr Production Co. v. Twin Continental Films*, 783 F.2d 1440 (9th Cir.1986), which it overruled in part, may have erred in "framing the subject matter jurisdiction inquiry as coextensive with the question of whether the allegations in the complaint stated a good cause of action." *Subafilms*, 24 F.3d at 1091 n. 5; *see also L.A. News Serv. v. Reuters Tel. Int'l, Ltd.*, 340 F.3d 926, 931 & n. 9 (9th Cir.2003) (" *Subafilms* reaffirmed that the copyright laws have no application beyond the U.S. border. . . . *Subafilms* also suggested that federal question jurisdiction under the copyright laws may not be coextensive with legislative jurisdiction under those laws, i.e., the reach Congress has chosen to give to American intellectual property statutes."). Similarly, none of the Second Circuit cases on which GlowProducts relies hold that the extraterritorial reach of the Copyright Act is a question of subject matter jurisdiction. *See, e.g., The Robert Stigwood Group*, 530 F.2d at 1101 (holding that performances of the copyrighted work performed in Canada were properly excluded from the calculation of damages); *cf. Bassett v. Mashantucket Pequot Tribe*, 204 F.3d 343, 349 (2d Cir.2000) (holding that the federal courts have subject matter jurisdiction if a suit arises under the Copyright

Act, which occurs when "(1) [T]he complaint is for a remedy expressly granted by the Act, e.g., a suit for infringement or for the statutory royalties for record reproduction; or, (2) [T]he complaint ... asserts a claim requiring construction of the Act. . . ." (internal quotation marks omitted)).

A least one circuit has treated the extraterritorial effect of the copyright laws as a question of subject matter jurisdiction. *See Palmer v. Braun*, 376 F.3d 1254, 1258 (11th Cir.2004) ("[I]t is only where an infringing act occurs in the United States that the infringement is actionable under the federal Copyright Act, giving federal courts jurisdiction over the action."). In *Palmer*, however, the Eleventh Circuit did not have the benefit of *Arbaugh*'s recent clarification of the boundary between subject matter jurisdiction and elements of the claim nor its suggestion that this confusion between subject matter jurisdiction and elements of a claim has extended to the issue of the extraterritorial scope of a statute. *Arbaugh*, 546 U.S. at 511, 126 S.Ct. 1235. Moreover, *Palmer* simply assumed the issue was a jurisdictional one, without any analysis of whether the question was more properly considered a question on the merits. We decline to follow the Eleventh Circuit's approach.

There is no indication that Congress intended the extraterritorial limitations on the scope of the Copyright Act to limit the subject matter jurisdiction of the federal courts. Accordingly, we hold that the issue is properly treated as an element of the claim which must be proven

before relief can be granted, not a question of subject matter jurisdiction, and we affirm the district court's denial of GlowProduct's motion for dismissal for lack of subject matter jurisdiction over the copyright claims.

IV.

In addition to filing the post-trial motion to dismiss, GlowProducts filed motions for judgment as a matter of law, arguing that substantial evidence did not support the jury verdicts of infringement for either the copyright or patent claims. In part, these motions were based on the same argument as the motion to dismiss—that Litecubes had failed to establish that any of the allegedly infringing acts took place within United States borders. Unlike the motion to dismiss, these JMOL motions were a procedurally correct mechanism to challenge the jury findings of infringement based on the location of the allegedly infringing activity. GlowProducts, however, has not appealed this aspect of its JMOL motions. Accordingly, we ordinarily would consider the issue waived and decline to reach the issue. *See SmithKline Beecham Corp. v. Apotex Corp.*, 439 F.3d 1312, 1319 (Fed.Cir.2006) ("[A]rguments not raised in the opening brief are waived."). However, the circumstances here are rather unusual, and both parties at oral argument appeared to agree that if we concluded that the extraterritorial issue was not jurisdictional, we should consider the issue under the JMOL standard. Given this, and that the parties have fully briefed the issue, albeit under the incorrect rubric of subject matter jurisdiction, we exercise our discretion, *see id.* at 1320 n. 9 (noting

that the court maintains discretion to consider arguments not properly raised in the briefs), to consider whether the district court erred in denying Litecubes' JMOL motions on the ground that the evidence was insufficient to establish a sale or offer for sale of the allegedly infringing products within the United States or importation of the products to the United States.

When reviewing a district court's denial of a JMOL motion, "we reapply the district court's JMOL standard anew." *Juicy Whip v. Orange Bang,* 292 F.3d 728, 736 (Fed.Cir.2002); *Chicago Title Ins. Co. v. Resolution Trust Corp.,* 53 F.3d 899, 904 (8th Cir.1995) ("We review the grant or denial of a motion for judgment as a matter of law de novo, using the same standard employed by the district court."). "Therefore, for [a party] to prevail on appeal it must prove that the jury's factual findings were not supported by substantial evidence or that the facts were not sufficient to support the conclusions necessarily drawn by the jury on the way to its verdict." *Mycogen Plant Sci., Inc. v. Monsanto Co.,* 243 F.3d 1316, 1331 (Fed.Cir.2001) (quoting *Tec Air, Inc. v. Denso Mfg. Mich., Inc.,* 192 F.3d 1353, 1357 (Fed.Cir.1999)); *Jackson v. Prudential Ins. Co.,* 736 F.2d 450, 453 (8th Cir.1984) ("[JMOL] motions should not be granted if reasonable persons could differ as to the conclusions to be drawn from the evidence. . . . The trial court has not erred if there is substantial evidence-more than a mere scintilla of evidence-to support a verdict in favor of the party opposing such a motion." (internal citations omitted)).

Although the district court based its ruling on a finding that GlowProducts imported its goods into the United States, we believe that the preferable initial inquiry, given the facts of this case and our prior established law, is whether there was a sale within the United States. It is uncontested that GlowProducts sold and shipped the allegedly infringing products directly to customers located in the United States. GlowProducts bases its argument that these were not sales in the United States on the grounds that the products were shipped f.o.b., and thus title over the goods were transferred while the goods were still in Canada. Our case law, however, is inconsistent with such a theory, and we conclude that there is substantial evidence of a sale within the United States for the purposes of § 271.

In *North American Philips Corp. v. American Vending Sales, Inc.*, 35 F.3d 1576 (Fed.Cir.1994), a personal jurisdiction case, this court rejected the notion that simply because goods were shipped f.o.b., the location of the "sale" for the purposes of § 271 must be the location from which the goods were shipped. *Id.* at 1579 (holding that the "tort" of patent infringement is defined by § 271 and occurs "where the allegedly infringing sales are made"). To the contrary, we determined that the sale also occurred at the location of the buyer. *Id.* The court recognized that

> unlike the "making" and the "using" of an infringing article, which as purely physical occurrences are relatively straightforward to

> place, the "selling" of an infringing article has both a physical and a conceptual dimension to it. That is to say, it is possible to define the situs of the tort of infringement-by-sale either in real terms as including the location of the seller and the buyer and perhaps the points along the shipment route in between, or in formal terms as the single point at which some legally operative act took place, such as the place where the sales transaction would be deemed to have occurred as a matter of commercial law.

Id. North American Philips rejected the formalistic approach and concluded that regardless of whether the goods were shipped f.o.b., "to sell an infringing article to a buyer in Illinois is to commit a tort there (though not necessarily only there.)." *Id.* (explaining that "to hold otherwise would exalt form over substance in an area where the Supreme Court has generally cautioned against such an approach" (citing *Burger King Corp. v. Rudzewicz,* 471 U.S. 462, 105 S.Ct. 2174, 85 L.Ed.2d 528 (1985))). Moreover, the court explained that "even if we were to conclude that a 'mechanical' test might be appropriate here for some reason, appellee has failed to explain why the criterion should be the place where legal title passes rather than the more familiar places of contracting and performance. Appellees have pointed to no policy that would be furthered by according controlling significance to the passage of legal title here." *Id.*; *see also McGoldrick v. Berwind-White Coal Mining Co.,* 309 U.S. 33, 64, 60 S.Ct. 388, 84 L.Ed. 565

(1940) ("[T]he place where the title passes has not been regarded as the test of the interstate character of a sale. We have frequently decided that where a commodity is mined or manufactured in one State and in pursuance of contracts of sale is delivered for transportation to purchasers in another State, the mere fact that the sale is f.o.b. cars in the seller's State and the purchaser pays the freight does not make the sale other than interstate."); *cf. Rotec Indus., Inc. v. Mitsubishi Corp.*, 215 F.3d 1246, 1258 (Fed.Cir.2000) (looking to federal law to interpret "offer to sale" under § 271 and concluding that it "is to be interpreted according to its ordinary meaning in contract law, as revealed by traditional sources of authority").

While *North American Philips* dealt with the issue of where a "sale" took place under § 271 in the context of personal jurisdiction, we see no basis for construing the location of a "sale" differently when the issue is whether the plaintiff has established that the sale took place within the United States for the purposes of infringement. Indeed, this court has already relied on *North American Philips*'s interpretation of § 271 when determining whether summary judgment of non-infringement was appropriate on the grounds that there was no sale in the United States. *See MEMC Elec. Materials, Inc. v. Mitsubishi Materials Silicon Corp.*, 420 F.3d 1369, 1377 (Fed.Cir.2005) ("North *American Philips* . . . noted that in some cases the criterion for determining the location of a 'sale' under section 271(a) is not necessarily where legal title passes; the 'more familiar places of contracting and performance' may take

precedence over the passage of legal title. Thus simply because an article is delivered 'free on board' outside of the forum, a sale is not necessarily precluded from occurring in the forum."); *see also Rotec,* 215 F.3d at 1254. In *MEMC,* as here, the issue was whether the defendant's actions could be construed by a reasonable jury to constitute a sale or offer to sell in the United States. It was undisputed that the defendant SUMCO manufactured the accused chip wafers in Japan and then sold the product to a Japanese company, Samsung Japan; Samsung Japan then sold the products to Samsung Austin, in the United States. Relying on *North American Philips,* the court found it "significant [ ]" that "there was no evidence that 'contracting and performance' took place in the United States." *MEMC,* 420 F.3d at 1377. The court explained that there was no evidence demonstrating a sale directly from SUMCO to Samsung Austin, and that "all of the essential activities" of the sale between SUMCO and Samsung Japan took place in Japan. *Id.* Accordingly, the court found no error in the district court's grant of summary judgment of non-infringement. *Id.* In contrast, here it is undisputed that GlowProducts sold the products directly to customers in the United States. Since the American customers were in the United States when they contracted for the accused cubes, and the products were delivered directly to the United States, under *North American Philips* and *MEMC* there is substantial evidence to support the jury's conclusion that GlowProducts sold the accused cubes within the United States.

Since we find substantial evidence of a sale within the United States, we need not determine whether there was also an offer to sell within the United States or importation into the United States.

We also conclude that substantial evidence supported the jury verdict of copyright infringement. Although we apply Eighth Circuit law to the question of whether GlowProducts' activities are within the scope of the Copyright Act, the Eighth Circuit has not spoken on the extraterritorial scope of the Act. We therefore "need to predict how the[Eighth Circuit] would have decided the issue." *Panduit Corp. v. All States Plastic Mfg. Co.*, 744 F.2d 1564, 1575 (Fed.Cir.1984).

Section 106(3) of the Copyright Act makes it an act of infringement to "distribute" copies of the copyrighted work "to the public by sale." 17 U.S.C. § 106(3); *Nat'l Car Rental Sys., Inc. v. Computer Assocs. Int'l, Inc.*, 991 F.2d 426, 429 (8th Cir.1993); 2-8 *Nimmer on Copyright* § 8.11 (2007) ("The copyright owner . . . has the exclusive right publicly to sell, give away, rent or lend any material embodiment of his work."). Neither party has argued that courts should interpret identical, generalized terms such as "sale" or "importation" differently between the Copyright Act and the Patent Act. To the contrary, both parties rely on their arguments regarding the Patent Act to support their arguments for the applicability of the Copyright Act. *See* Appellants' Br. 25 ("GlowProducts does not 'import' under the Copyright Act for the same reasons it does not 'import' under the Patent Act."); Appellee's Br. 45

("For the same reasons that jurisdiction exists under the Patent Act, jurisdiction similarly exists under the Copyright Act."). We agree that the term "sale" should be interpreted consistently in copyright and patent law, and accordingly, conclude that the Eighth Circuit would find substantial evidence of sales in the United States sufficient to uphold the jury's finding of liability under the Copyright Act.[16]

Moreover, the Copyright Act does not explicitly require that sales be "in the United States," and courts have generally held that the Copyright Act only does not reach activities that "that take place *entirely* abroad." *Subafilms*, 24 F.3d at 1098 (emphasis added); *see* 4-17 Nimmer on Copyright § 17.02 ("[A] distinction should be drawn between purely extraterritorial conduct, which is itself nonactionable, and conduct that crosses borders, so that at least a part of the offense takes place within the United States. . . . It may be concluded . . . that U.S. courts may entertain such multiterritorial infringement claims."). Thus for example, in *Palmer*, the Eleventh Circuit found that the Copyright Act applied when the alleged infringer, analogously to the instant case, sold copyrighted work from France to customers in the United States, and then shipped these works to the U.S. buyers. *Palmer*, 376 F.3d at 1258; *see also GB Mktg. USA Inc. v. Gerolsteiner Brunner GmbH & Co.*, 782 F.Supp. 763, 772-73

16. If there are arguments for interpreting the location of the "sale" for Copyright Act purposes differently than for the Patent Act, these have been waived.

(W.D.N.Y.1991), *cited by Palmer*, 376 F.3d at 1258 (holding that a bottle water distributor could maintain an action under the Copyright Act against a foreign bottler who applied labels to the bottles in Germany, when the labels were specifically designed for marketing in the United States and were sold to a company which imported the bottles to the United States). Substantial evidence supports the jury's conclusion that, by selling to customers in the United States, GlowProducts' distribution of the accused products has taken place, at least in part, in the United States.

We therefore affirm the denial of JMOL for the copyright claim.

V.

GlowProducts also argues that even assuming that the allegedly infringing activity was within the United States, the district court erred in refusing to issue a judgment as a matter of law on the question of patent infringement by the ICM cubes.

GlowProducts argues that JMOL was appropriate because the ICM cubes do not meet the limitation of claim 1 that requires the cubes to contain a "filler adapted to retain heat when said device is heated" or the limitation of claim 16 that the cubes contain a "filler adapted to retain cold when said device is cooled." The parties do not contest the propriety of the district court's claim construction. Therefore, the only issue is whether substantial evidence supports the jury's factual

finding that GlowProducts' cubes met the contested claim limitations, which as construed require that the filler be "made suitable to or fit for the specific use of retaining heat when said device is heated" or "made suitable to or fit for the specific use of retaining cold when said device is cooled." *Markman Order*, at *5. We conclude there was substantial evidence to sustain the jury's finding.

A.

At trial, Dr. Kevin Trankler, a chemist with expertise in thermodynamics, testified as an expert witness on Litecube's behalf. Trankler concluded that after running various tests on the ICM cube to "determine . . . whether the filler material had the ability to retain cold over a period of time," J.A. at 927, it was his opinion that the filler in the cube "is adapted to retain heat or cold." J.A. at 937. He also testified that he was aware that "adapted" was defined by the court as requiring the filer [sic] be "suitable for or fit to the specific purpose of." J.A. at 928. Trankler's experiment demonstrated that after the ICM cube was placed in the freezer, the filler cooled to -6.1 C (below the freezing temperature of water), and that when the frozen cube was placed in room temperature water, the filler took approximately thirty minutes to return to room temperature. Trankler concluded based on these and similar results that the filler was adapted to retain heat or cold. He explained that insulators such as ceramics, wood, or Styrofoam would not be adapted to retain heat or cold because "they would warm up a lot faster" and "may not cool

down to the same temperature either" as the ICM filler. J.A. at 931-32.[17]

In addition, Litecubes introduced excerpts from GlowProducts' website describing the accused cubes as being adapted to keep drinks warm or cool. For example, the website stated, "[t]he 8 Mode Multi-Cube is a great lighted ice cube for livening up your drinks. Not only will it amuse your guests, but it will keep their drink warm or cool with its internal gel" and explained that "[t]his light up ice cube also comes with internal gel that can be heated or frozen to keep your drink warm or cool." J.A. at 6262-64.

Vanderschuit, Litecubes' founder, also testified that artificial ice cubes, including Litecube's own product, would never be able to match, nor were they intended to match, the cooling properties of an actual ice cube, but instead would simply slightly lower the temperature of a room temperature drink for twenty to thirty minutes or help maintain the temperature of a cooled drink for slightly longer.[18]

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17. In their brief GlowProducts suggests that "Trankler admitted that comparable tests results for a sandwich 'would likely look the same.'" Appellants' Br. 30. This leaves out part of Trankler's testimony. When asked on cross examination what the curve (i.e., plot of temperature v. time) would look like for a sandwich, Trankler testified that he "suspect[ed] that the curve would look the same; it would still be a curve, but *that the slope would be farther to the left.*" J.A. at 940.

18. Supporting this contention was the fact that Litecube's own commercial embodiment of the patent performed identically to the GlowProducts' cubes in tests done by GlowProducts' expert.

Appendix A

To rebut Trankler's testimony, GlowProducts called as its expert witness Dr. Ann Mescher. She admitted there was nothing technically wrong with Trankler's tests but suggested that "he simply didn't answer the question." J.A. at 995. According to Mescher, the appropriate question was whether the fillers "make a practical difference," i.e., in her words, whether they were "particularly suited for the specific purpose of keeping a hot drink hotter than it would be if it weren't there." J.A. at 992, 995. To answer this question, Dr. Mescher ran two tests and concluded that the filler had "no practical effect." In the first test, she placed a GlowProducts cube and a Litecube that had been refrigerated overnight in a glass of water that was also refrigerated overnight and compared the water temperature in these glasses to a control refrigerated glass of water without a cube. She found that neither the Litecube nor the GlowProducts cube had "a measurable impact on the rate at which the liquids heat." The validity of this test was called into question during cross examination by her admission that water was the substance most well-adapted to retain heat or cold at the relevant temperatures, and that if one used a cube that had water as the filler, it would also not show any measurable difference from the control. In her second experiment, she froze GlowProducts and Litecubes cubes in the freezer overnight to cool them to -28 C and then placed each in a room temperature glass of water. She found that the cubes lowered the temperature of the water by about one degree and that it took about sixty minutes for the water to return to its

initial temperature. She characterized these results as showing that the cubes had "no measurable impact." J.A. at 1022-23.

B.

As construed, the contested claim limitation required the jury to find that GlowProducts' cubes contained "filler made suitable to or fit for the specific use of retaining heat when said device is heated" or "filler made suitable to or fit for the specific use of retaining cold when said device is cooled." *Markman Order*, at *5.

No one disputed the scientific accuracy of Dr. Trakler's experiments that showed that the filler material used by GlowProducts was able to cool down to the temperature of the freezer and retain its cold temperature above room temperature for about thirty minutes, nor Dr. Mescher's experiment which showed that the allegedly infringing products when frozen were able to keep a glass of water below room temperature for about an hour. Whether a person skilled in the art would consider this level of cold retention sufficient to make the filler material "suitable to" the specific use of retaining cold or heat, is a question of fact for the jury. Faced with conflicting expert testimony, the jury was entitled to credit Dr. Trankler's testimony that the level of cold retention shown by the filler established that the material was adapted to the purpose of retaining cold. *See Comark Commc'ns. v. Harris Corp.*, 156 F.3d 1182, 1192 (Fed.Cir.1998) ("It is not the province of an

appellate court to second guess the jury's credibility determinations or to reevaluate the weight to be given the evidence"); *Brooktree Corp. v. Advanced Micro Devices, Inc.*, 977 F.2d 1555, 1569 (Fed.Cir.1992) ("Issues of credibility of witnesses are for the jury, and are not amenable to appellate review."); *cf. Anderson v. Bessemer City*, 470 U.S. 564, 575, 105 S.Ct. 1504, 84 L.Ed.2d 518 (1985) ("When [in a bench trial] a trial judge's finding is based on his decision to credit the testimony of one of two or more witnesses, each of whom has told a coherent and facially plausible story that is not contradicted by extrinsic evidence, that finding, if not internally inconsistent, can virtually never be clear error.").[19] The jury could also have taken into consideration the testimony of Litecubes' founder as well as GlowProducts' own advertising as to what level of heat retention made the filler suitable to the specific use of retaining heat or cold in the context of the invention. This evidence also supported the finding that the filler used in the GlowProducts' cubes was suitable to the specific use of retaining heat or cold. Accordingly, we hold that the district court did not err in denying the JMOL motion on these grounds.

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19. The jury need not have credited Mescher's argument that for the filler to be "suitable to or fit for the specific use of retaining cold" it must have a "practical effect" on the temperature of the water the cube was in. No such result was required by the district court's claim construction. But even if this was a requirement, the jury could have found that the tests, including Mescher's own, established a sufficient practical effect to meet the claim limitations.

Appendix A

VI.

We conclude that there is no basis to overturn the jury verdict of copyright and patent infringement. While we do not adopt the district court's reasoning, the district court reached the correct result in denying GlowProduct's motion to dismiss for lack of subject matter jurisdiction. The issues of the extraterritorial reach of the Patent and Copyright Acts raised in the motion are not properly considered jurisdictional. We further conclude that substantial evidence supports the jury's verdict of infringement. The judgment of the district court is, therefore, affirmed.

AFFIRMED

COSTS

No costs.

APPENDIX B — MEMORANDUM AND ORDER OF THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF MISSOURI, EASTERN DIVISION DATED AUGUST 25, 2006

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

Case No. 4:04CV00485 ERW

LITECUBES, L.L.C., et al.,

Plaintiffs,

vs.

NORTHERN LIGHT PRODUCTS, INC.,

Defendant.

MEMORANDUM AND ORDER

This matter comes before the Court upon Defendant's Motion to Dismiss for Lack of Subject Matter Jurisdiction [doc. #195]; Defendant's Motion for Judgment as a Matter of Law Regarding Copyright Infringement, or Alternatively, for Remittitur [doc. #197]; Plaintiffs' Motion for Attorney Fees, Costs and Interest [doc. #199]; Plaintiffs' Supplemental Motion for Bill of Costs [doc. #201]; Defendant's Motion to Stay Briefing for all Motions for Attorneys' Fees, Costs and Interest [doc. #202]; Plaintiffs' Motion for Permanent Injunction [doc. #205]; Defendant's Motion

for Judgment as a Matter of Law Regarding Patent Infringement, or Alternatively, for a New Trial [doc. #213]; Defendant's Motion for Bill of Costs [doc. #216]; and Defendant's Cross-Motion for Attorneys' Fees and Costs [doc. #218].

On April, 23, 2004, Plaintiffs filed suit alleging various intellectual property violations by Defendant. On September 24, 2004, Plaintiffs filed their first Amended Complaint alleging patent infringement, copyright infringement, unfair competition, and trademark infringement. A five-day jury trial was held in this case from October 3, 2005 through October 7, 2005. All claims were submitted to the jury for determination, except for the unfair competition claim. On October 7, 2005, a verdict was entered. The jury found that: (1) the Diefenbach reference did not anticipate the '198 Patent; (2) neither the Diefenbach reference nor the Kolb patent rendered the '198 Patent obvious; (3) Defendant's EXA cube and ICM cube willfully infringed Plaintiffs' '198 Patent, but that Plaintiffs were not entitled to lost profits or a reasonable royalty; (4) Defendant willfully infringed Plaintiffs' copyright, and Plaintiffs were entitled to $30,000 in statutory damages and $120,000 in exemplary damages; and (5) Defendant did not infringe Plaintiffs' valid trademark. The parties filed several post-trial motions, and the Court will address each below.

Appendix B

MOTIONS FOR JUDGMENT AS A MATTER OF LAW

"In a motion for [a judgment as a matter of law], the question is a legal one, whether there is sufficient evidence to support a jury verdict." *Summit v. S-B Power Tool*, 121 F.3d 416, 420 (8th Cir. 1997). Rule 50 of the Federal Rules of Civil Procedure ("Rule") provides that

> If, for any reason, the court does not grant a motion for judgment as a matter of law made at the close of all the evidence, the court is considered to have submitted the action to the jury subject to the court's later deciding the legal questions raised by the motion. The movant may renew its request for judgment as a matter of law by filing a motion no later than 10 days after entry of judgment

Fed. R. Civ. Pro. 50(b). In an intellectual property case, the district court applies the standard for a "judgment as a matter of law ("JMOL") under the law of the regional circuit where the appeal from the district court normally would lie." *MicroStrategy Inc. v. Business Objects, S.A.*, 429 F.3d 1344, 1348 (Fed. Cir. 2005) (internal quotations omitted); *see also nCube Corp. v. Seachange Intern., Inc.*, 436 F.3d 1317, 1319 (Fed. Cir. 2006). A district court sitting in the Eighth Circuit will only grant a motion for JMOL

> if there is insufficient evidence to support a jury verdict in the plaintiff's favor. When reviewing a motion for judgment as a matter of law, this Court must: (1) resolve direct factual conflicts in favor of the nonmovant, (2) assume as true all facts supporting the nonmovant which the evidence tended to prove, (3) give the nonmovant the benefit of all reasonable inferences, and (4) deny the motion if the evidence so viewed would allow reasonable jurors to differ as to the conclusions that could be drawn.

Winskowski v. City of Stephen, 442 F.3d 1107, 1109 (8th Cir. 2006) (quoting *City Nat'l Bank of Fort Smith v. Unique Structures, Inc.*, 929 F.2d 1308, 1312 (8th Cir.1991)); *see also Melford Olsen Honey, Inc. v. Adee*, 452 F.3d 956, 963 (8th Cir. 2006) (discussing standard); *Margolies v. McCleary, Inc.*, 447 F.3d 1115, 1123 (8th Cir. 2006) (same). "Thus, judgment as a matter of law is appropriate when the record contains no proof beyond speculation to support a verdict." *Nebraska Plastics, Inc. v. Holland Colors Americas, Inc.*, 408 F.3d 410, 417 (8th Cir. 2005).

Defendant's Motion to Dismiss for Lack of Subject Matter Jurisdiction [doc. #195]

Defendant claims that the Court has no subject matter jurisdiction over Plaintiffs' claims because Plaintiffs failed to introduce evidence that (1) Defendants directly, contributed to, or induced the

infringement of the '198 patent in the United States; (2) Defendants distributed copyrighted works in the United States; and (3) Defendant's activities implicate American interests under the Lanham Act.

This Court finds that evidence of direct infringement under 35 U.S.C. § 271 is sufficient to establish subject matter jurisdiction in this Court.[1] Defendant clearly imported the accused products into the United States; thus, this Court has subject matter jurisdiction over the claims in Plaintiffs' Amended Complaint.[2] According to 35 U.S.C. § 271, infringement of a patent occurs when, "[e]xcept as otherwise provided in this title, whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports

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1. It is not necessary for the Court to address Defendant's other arguments since the Court finds that this Court has subject matter jurisdiction because Defendant is an "importer" under 35 U.S.C. § 271(a).

2. Defendant argues that Plaintiffs' theory that Defendant was an "importer" under 35 U.S.C. § 271 was an "afterthought." The Court disagrees. While the "importer" theory is not specifically pled in Plaintiffs' Amended Complaint, the issue was raised at trial, and thus, shall be treated as if it was raised in the Pleadings. *See* Fed. R. Civ. Pro. 15(b); *Triple Five of Minnesota, Inc. v. Simon*, 404 F.3d 1088, 1095 (8th Cir. 2005) (motion to amend the pleadings to conform to the evidence can be made at any time, even after judgment). Plaintiffs are granted leave to file a Second Amended Complaint so that Count I conforms to the evidence presented at trial. Furthermore, the amendment will relate back to the date of the original pleading. *See* Fed. R. Civ. Pro. 15(c).

into the United States any patented invention during the term of the patent therefor, infringes the patent." Defendant primarily relies on *Cybiotronics, LTD. v. Golden Source Electronics, LTD.*, 130 F. Supp.2d 1152 (D.C. Cal. 2001) to argue that Defendant is not an "importer" of the accused product. In *Cybiotronics*, the plaintiff, a Hong Kong corporation, owned the rights under patents relating to telephone and caller identification technology. The defendant, also a Hong Kong corporation, was approached by a New York Corporation ("NAFT") about starting to produce phones with caller identification technology. All of the negotiations took place in Hong Kong. Engineers designed the phone in Korea, and the phones were manufactured at facilities located in China. Once the products passed inspection in China, they were shipped NAFT in Hong Kong. NAFT would then sell the phones to United States' company, BellSouth. Defendant argued that it could not be liable for direct infringement because all of its activities relating to the accused products took place in Hong Kong, China, or Korea. The Federal Circuit agreed, finding, *inter alia*, that defendant was not an "importer" because "[a]ny and all activity that might be considered 'import[ing] into the United States' was conducted by either NAFT or by BellSouth, and [defendant] itself was not the 'importer' of the accused products." *Id.* at 1175. The court relied on another case, *Pfizer, Inc. v. Aceto Corp.*, 853 F. Supp 104 (S.D.N.Y 1994), which interpreted the term "imports" as it appeared in another section of 35 U.S.C. § 271. In *Pfizer*, Anhui, a Chinese manufacturer sold a flavor enhancer to another Chinese corporation, which

in turn, sold the product to American companies. The court held that Anhui was not an importer of the product. Relying on the *Pfizer* court's analysis, the *Cybiotronics* court held that "NAFT remained at all times the legal 'importer' of these goods 'into the United States,' and the statute does not reach [defendant's] behavior in this case." *Id.* at 1176.

The Court finds that the instant case is easily distinguishable. In both *Pfizer and Cybiotronics,* the defendant was not an "importer" because, in each case, an intermediary company was acting as the importer. *See also MEMC Electronic Materials, Inc. v. Mitsubishi Materials Silicon Corp.*, 420 F.3d 1369, 1377 (Fed. Cir. 2005) (no direct infringement where defendant, SUMCO, manufactured accused product in its facilities in Japan, and then sold the products to a party in Japan, Samsung Japan, who then employed a third-party packaging company to package and send the products to the United States). In *Pfizer,* the Chinese corporation that purchased the flavor enhancer from Anhui was the importer.[3] In *Cybiotronics,* the court found that NAFT was the legal importer of the goods. Here, Defendant took orders for the accused products over the telephone at the number published on its website. Once Defendant received an order from a customer in the United States, the Defendant shipped the product at the direction and

3. The American companies purchasing the product may also have been the importer if title to the product was transferred before the product left China. The court does not address this issue, but indicates that the American defendant may be liable if plaintiff is able to establish infringement.

expense of the purchaser. Bob Bryant, the President of Northern Light Products, testified that the large majority of the sales in U.S. dollars were sales to customers in the United States. Thus, unlike *Cybiotronics* and *Pfizer*, there was no intermediary; here, Defendant was the importer.[4] Therefore, the Court has subject matter jurisdiction.

Defendant's Motion for Judgment as a Matter of Law Regarding Copyright Infringement, or Alternatively, for Remittitur [doc. #197]

Defendant argues that the jury's verdict of willful copyright infringement with respect to the EXA cubes is not supported by substantial evidence, and on this basis, Defendant is entitled to judgment as a matter of law. Alternatively, Defendant asks that the Court reduce the jury's damage award if the Court holds that Defendant is not entitled to judgment as a matter of law.

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4. There was evidence during the trial that an Ebay seller located in Canada, known as "kick_chick" was selling Defendant's accused products to customers in the United States. This situation is much closer to the facts in *Cybiotronics* and *Pfizer*. Because "kick_chick" is an intermediary that receives title to the accused products before they reach the United States, Defendant would not be considered an "importer" of the lighted ice cubes sold by "kick_chick." Notably, Plaintiffs did not seek relief for the accused products sold by "kick_chick." Plaintiffs sought relief only for those products directly shipped by Defendant.

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The court makes a determination of willfulness based upon the totality of the circumstances. *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1342 (Fed. Cir. 2004). "In respect [to] willfulness, there cannot be hard and fast *per se* rules. The district court, considering the evidence before it and the testimony and demeanor of the witnesses, must in each case determine whether an infringer has discharged its affirmative duty of exercising due care." *Rolls-Royce Ltd. v. GTE Valeron Corp.*, 800 F.2d 1101, 1110 (Fed. Cir. 1986). "Actual notice of another's patent rights triggers an affirmative duty of due care to avoid infringement." *nCube Corp. v. Seachange Intern., Inc.*, 436 F.3d 1317, 1324 (Fed. Cir. 2006). Indeed, the question of willfulness "hinges on when the defendants had actual knowledge of plaintiff's patent rights, and their actions after that time." *Id.* If a defendant solicits legal advice, his argument against willfulness is strengthened; however, failure to seek out legal advice does not give rise to an inference of willfulness. *Imonex Services, Inc. v. W.H. Munzprufer Dietmar Trenner GMBH*, 408 F.3d 1374, 1378 (Fed. Cir. 2005) (citing Knorr-Bremse, 383 F.3d at 1345-46).

This Court holds that Plaintiffs presented sufficient evidence so that a reasonable factfinder could find that Defendant willfully infringed Plaintiffs' copyright. Defendant claims that the only evidence supporting willful infringement of the copyright was the evidence of the additional sale of the EXA cubes after Defendant received a cease and desist email on November 12, 2003. In Plaintiffs' response to the Defendant's motion,

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Plaintiffs highlighted several pieces of evidence presented at trial the supported the jury's verdict including:

(a) the striking similarity in the outside shape of the EXA cube to the Litecube copyright (*i.e.* virtually identical);

(b) documentation reflecting Glowproducts' knowledge of Litecubes' website containing notices of its intellectual property *before* it ever sold the EXA cube to customers in the United States (P. Ex. 257);

(c) an email admission of Bryant to his supplier indicating that it was "dangerous" for Glowproducts to sell the EXA cubes after receiving a cease and desist notification from Litecubes, but requesting that additional cubes be shipped for future sale nonetheless (P. Ex. 263);

(d) Glowproducts' strategy to delay shipment of the EXA cubes in an intentional course of conduct to hide its infringing conduct (Kensit testimony);

(e) continued sales of the EXA cubes to customers in the United States despite notification and despite clear recognition of infringement (P. Ex. 270);

(f) preparation of intentionally misleading financial documents that deliberately sought to disguise the sales of EXA cubes after Glowproducts received further notice of the copyright in November, 2003 (P. Ex. 270);

(g) the inconsistent testimony of GlowProducts' owner and president, Bob Bryant, regarding when and why GlowProducts stopped selling the EXA cubes; and

(h) the lack of any plausible defense to the copyright infringement.

Defendant argues that the inferences advanced by Plaintiffs are "speculative." The Court disagrees. While none of these pieces of evidence is conclusive evidence of willful infringement on its own, the Court finds that a jury, viewing all of this evidence together and drawing reasonable inferences from such evidence, could have reasonably believed that Defendant willfully infringed on Plaintiffs' copyright.

Defendant complains that the EXA cubes only constituted 4.4% of the accused products in this case. This fact is irrelevant to the issue of whether the EXA infringed Plaintiffs' copyright, and Defendant has provided no authority showing otherwise.

Next, Defendant argues that it made good faith efforts to minimize copyright injury to Plaintiffs. Based

on the verdict, it is clear that the jury made credibility determinations of the witnesses and did not believe that Defendant attempted to minimize infringement. The Court may not review the jury's credibility determinations once the Court has found that sufficient evidence exists to support the jury's verdict.

Defendant also claims that it was unfair that Plaintiffs argued that trial exhibit 270, listing the number of EXA cube sales, was misleading. Defendant argues that both parties simply misread the exhibit prior to trial. Defendant further contends that Plaintiffs should be estopped from arguing willful copyright infringement since Plaintiffs entered into a stipulation prior to trial regarding the number of EXA sold. The Court is not persuaded. The pre-trial stipulation was based on inaccurate information. and Plaintiffs only learned of this inaccuracy during trial. Plaintiffs were properly permitted to introduce evidence, and draw inferences therefrom, showing that exhibit 270 showed more sales of EXA cubes than was apparent upon the parties' prior interpretations of the exhibit.

Finally, Defendant argues that Plaintiffs' characterization of the evidence supporting copyright infringement is speculative. (a)[5] Defendant argues that it generally requested "battery operated ice cubes" and did not specify the shape of the cube it wanted to purchase. While the similarity in shape between the two

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5. The lettering scheme corresponds to the letters of Plaintiffs' facts quoted *supra*.

cubes may not go to show willfulness, the evidence does provide evidence that the copyright was infringed. (b) Defendants argue that they did not know of Plaintiffs' copyright prior to the cease and desist email sent on November 12, 2003. One of Defendant's employees sent an email referencing the Litecubes' website on March 18, 2002. Defendant claims that the only exhibit in evidence showing Litecubes' website is DX 225, and the exhibit has no general intellectual property notice and no reference to Plaintiffs' copyright.[6] However, the Court notes that Carl VanderSchuit testified during the trial that Plaintiffs' website included notifications of the intellectual property rights owned by Plaintiffs. When asked "[w]hat measures did you take to notify the public about your patent and copyrights?," he replied that "[w]e put them on just about everything. We had them on all our emails at the company, actually, all the invoicing. I believe it's on the website. It's also on the bottom of the cube." The jury could have inferred that Defendant was aware of the copyright based on this testimony. (c,d) Next, Defendant posits that the jury could not have drawn an inference supporting copyright infringement from the email in which Defendant's President, Bob Bryant, noted that it would be "dangerous" to sell the EXA cubes since Defendant had received the cease and desist email. The Court disagrees. The context of Mr. Bryant's statement is

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6. Upon the Court's independent review of the exhibit, the Court only saw that the name "Litecubes" was protected by a trademark. However, there was also testimonial evidence introduced about the contents of the website by Plaintiff Carl VanderShuit.

damning. He stated that "I will agree to buy the remaining cubes from our order. Please tell me how many are left and how much is owing. It is very dangerous for my company to sell this ice cube at this time, so I request you do not ship them before January 31, 2004." The language in Mr. Bryant's email could have been interpreted by the jury to mean that Defendant knew of the risk of violating Plaintiffs' copyright, but still agreed to purchase the remaining cubes that the company had ordered after pushing back the date of delivery. The evidence showed that Defendant made attempts to appear as if the company no longer sold the EXA cubes after Plaintiffs' November 12, 2003 cease and desist email.[7] Indeed, one of Defendant's employees confirmed his deposition testimony at trial indicating that

> . . . Bob [Bryant] thought that Litecube was — I don't know, for lack of a better word, watching our company very closely at the time, and I think he felt that they may have put some sort of stop-shipping request or didn't want — Bob didn't want to have the stock in the warehouse because he felt that — how am I going to put this? — that Litecube might place a couple of orders with us under assumed names to see if we were still selling them or somehow find out that we were still selling these things and proceed from there.

7. Both Carl VanderShuit and Terry Hickey testified that they believed that Defendant stopped selling the EXA cubes when the product was removed from the website.

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> So Bob didn't want to have these things in the warehouse just in case Litecube was going to do something like that. . .

The jury could have inferred that Mr. Bryant moved the shipment date to January 31, 2004 because he believed it was "dangerous," specifically "at this time," and Defendant hoped that Plaintiffs would no longer be watching the company's website a couple of months later. This effort of concealment supports a finding of willfulness. (e) It is undisputed that Defendant sold 3,618 more cubes after receiving the cease and desist email. Defendant argues that it did not conceal sales after receiving the cease and desist letter, since the response specifically indicated that it would continue to sell the product until the company was able to "determine a position regarding infringement." There was evidence presented that the product was removed from the website. There was also evidence that Defendant did buy the remaining EXA cubes that had been ordered, but the date was pushed back. Finally, there was evidence offered that the financial documents were misleading regarding the sales of the EXA cubes following the cease and desist letter; indeed, it was only during the trial that Plaintiffs learned of the additional sales of EXA cubes. Regardless, "openly" infringing sales do not foreclose a finding that the infringement was willful. (f) Defendant argues that the financial documents detailing the sales of the EXA and ICM cubes are not misleading. Plaintiffs presented evidence that the description for the sales of EXA cubes in Defendant's bookkeeping system changed as of November 5, 2003,

right around the time of the November 12, 2003 cease and desist email. Furthermore, it was the mid-portion of the description that was missing in the new entries, and it is unclear why the computer program would remove the mid-portion of the description if it was too long, instead of truncating one of the ends. Drawing all inferences in favor of Plaintiffs, the jury could have reasonably found the documents to be misleading or altered. (g) Defendant claims that Mr. Bryant's testimony on the stand during trial only changed because he had relied on the parties' stipulation as to the number EXA cubes sold after Defendant received the cease and desist letter. The Court is not persuaded. Mr. Bryant was the President of Northern Light Products, and it was reasonable for the jury to disbelieve that he did not know that his company continued to sell the infringing product after receiving the email from Plaintiffs. (h) The Court finds that Plaintiffs' claim that Defendant lacked any plausible defense to the copyright infringement is basically a summarization of the preceding facts discussed by the Court in (a) - (g).

Drawing all reasonable inferences in favor of Plaintiffs, the jury could have inferred, based on the totality of the circumstances, that Defendant knowingly sold infringing products and deliberately concealed the sales. Thus, the Court finds that there was sufficient evidence to support a verdict that Defendant had willfully infringed Plaintiffs' copyright.

Defendant argues alternatively that the jury's award of damages was unreasonably high, and as such,

the Court should reduce the award of damages. Relying on *Feltner v. Columbia Pictures Television, Inc.*, Defendant argues that Congress never intended for a jury to determine the appropriate amount of statutory damages. 523 U.S. 340, 345 (1998). Defendant's analysis of *Feltner* is incomplete. In that case, the Supreme Court analyzed whether there was a statutory right to a jury trial when a copyright owner elects to recover statutory damages, only to determine whether the court could avoid reaching the constitutional analysis under the Seventh Amendment. *Id.* at 1284. After the court found that no such statutory right existed, the court went on to analyze the constitutional issue, finding that the Seventh Amendment does grant the right to a jury trial, including the right to have a jury determine the amount of statutory damages. *Id.* at 342. Thus, Plaintiffs clearly had the right to have a jury determine the amount of copyright damages.

The Court will not grant remittitur of the award. A court should only reduce a jury award if the "verdict is so grossly excessive the result is monstrous or shocking." *Andreas v. Volkswagen of America, Inc.*, 336 F.3d 789, 800 (8th Cir. 2003) (quoting *Callantine v. Staff Builders, Inc.*, 271 F.3d 1124, 1133-34 (8th Cir.2001)). Here, the jury properly awarded damages within the range designated by statute for willful copyright infringement. *See* 17 U.S.C. § 504(c). Based on the evidence presented at trial, the jury acted within its discretion in awarding $150,000 for copyright damages and exemplary damages for willful infringement.

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Defendant's Motion for Judgment as a Matter of Law Regarding Patent Infringement, or Alternatively, for a New Trial [doc. #213]

Defendant argues that the jury's verdict of willful patent infringement was not supported by sufficient evidence. It is undisputed that the '198 patent claims include limitations that within the patented device, the "filler within said cavity, said filler adapted to retain heat when said device is heated" and "filler within said cavity, said filler adapted to retain cold when said device is cooled." Defendant claims that the only evidence presented during the trial relating to the filler in the EXA cube was that the EXA cube's filler did not have the "ability to retain heat or cold" when compared to other materials. Defendant further argues that even if the EXA and ICM cubes did infringe the '198 patent, the infringement was not willful.

The Court finds that sufficient evidence was introduced during trial to support the jury's finding of willful infringement of the '198 patent.

Infringement

There was evidence presented during the trial that the EXA cube met all the limitations of claim 31 of the Litecubes' patent. Defendant admits that both the EXA and ICM cubes met every limitation of claims 1 and 16, except for the "adapted to retain heat/cold" limitation. Claim 31 did not have the "adapted to retain heat/cold" limitation, and the only additional limitation in claim 31

was that the device have a "power source to reciprocally translate therein from an open light-on mode to a closed light-off mode." Mr. VanderSchuit testified that before sending the cease and desist letter to Defendant, he believed that the EXA cube infringed Claims 1, 16, and 31 of the '198 patent. He explained that the EXA cube had a "tap on/tap off switch" as is described in Claim 31 as the "reciprocally translating power source." In the Reply to Plaintiffs' Response, Defendant does not dispute that the EXA cube met all the limitations of Claim 31 of the '198 patent.

Defendant does contend that Plaintiffs presented insufficient evidence to support a jury verdict that the ICM cube was "adapted to retain heat/cold." The Court disagrees. After reviewing the trial transcript, the Court finds that there is substantial evidence supporting Plaintiffs' allegation that the ICM cube retains heat/cold. Most persuasive is the evidence that Defendant's website included advertisements for the ICM cube, touting that the cube's ability to keep a drink cool. Plaintiffs introduced excerpts from Defendant's website, Glowproducts.com, as they appeared three days prior to Plaintiffs filing this lawsuit. The excerpts included statements such as:

> • "The 8 Mode Multi-Cube is a great lighted ice cube for livening up your drinks. Not only will it amuse your guests, but it will keep their drink warm or cool with its internal gel."

> • "The lighted ice cubes are our best seller. People love to buy them, not only because they keep their drinks cool but because they have eight different color settings to play with."
>
> • "Our light-up cube, our light-up ice cube is a best seller. Keep these drinks cool while entertaining. . . . Keep their drinks cool while entertaining them. . . . Eight different color settings."
>
> • "If you're wondering, 'Can I put these ice cubes in the freezer,' the answer is yes. Our battery-operated ice cubes adapt to any temperature."

The statements were removed right around the time that Plaintiffs filed the instant lawsuit. While Defendant argued during trial that the statements were on their website, but were wrong, it is likely that the jury did not find Defendant's argument to be credible, and instead believed Defendant's arguments to be litigation-induced.

There was also evidence presented that after Plaintiffs filed the lawsuit, Defendant's lawyer wrote on May 5, 2004 that "[w]e have to prove that we do not have heat retaining or cold retaining to defend ourselves." Then, in this same time frame, Defendant began attempting to "check with labs to determine whether or not labs had an opinion regarding whether your filler retained heat or cold" and at least one of the

labs gave Defendant "an answer [its] lawyer didn't want to hear," telling Defendant that "every material is capable of retaining heat or cold to either a greater or lesser degree." The jury also heard evidence from Plaintiffs' expert, Kevin Trankler, that he performed three different tests on the ICM cubes, and in his opinion, the cubes were "adapted to retain heat/cold." Mr. VanderSchuit also testified that he believed that the ICM cubes retain heat/cold.

Furthermore, the evidence showed that there are "practical issues" that restrict the type of filler that can be used. For example, while water does retain heat/cold better than the gel inside the ICM cube, water "has bacteria and can yellow over the course of time." Additionally, Plaintiffs exposed that "the latent heat number [was] incorrect" in Defendant's expert's calculation that 60 ICM cubes was the equivalent of one ice cube of frozen water. After correcting for the mistake, ratio was reduced to seven-to-one. However, after the mistake was exposed, Defendant's expert, Dr. Ann Mescher, indicated that the ratio would still be 60-to-1 if the volume of the gel being measured equaled the volume of the ice cube. The jury may have discounted Dr. Mescher's alternative basis for finding the 60-to-1 ratio, and believed that the ratio would be closer to the 7-to-1 ratio suggested by Plaintiffs.

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Willfulness

Defendant argues that Plaintiffs are estopped from arguing that Defendant sold EXA cubes after receiving the cease and desist email on November 12, 2003. Relying on *Sims v. Wyrick,* 743 F.2d 607 (8th Cir. 1984), Defendant claims that Plaintiffs should not be able to contradict its pretrial stipulation that no additional EXA cubes were sold after Defendant received the November 12 email. In *Sims,* the court enforced upon the parties a pretrial stipulation that "there was in effect in 1977 a policy flatly banning all written material referring to the Black Panther Party." *Id.* at 611. The court explained that "[h]ere, there is no claim of fraud or unfairness. . . . Nor is this a case in which the stipulation is flatly contrary to all of the evidence on the subject it covers." *Id.* at 610. This case is completely different. Here, the Plaintiffs have claimed that they entered into the stipulation because the financial document was misleading and possibly altered.[8] Furthermore, it is undisputed that the stipulation is based on incorrect information. Thus, Defendant's argument that Plaintiffs are barred by estoppel from arguing that sales of EXA

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8. Defendant makes the argument that Plaintiffs knew prior to trial that the stipulation was inaccurate, but waited until trial to reveal the error in order to ambush Defendant. Defendant presents no credible evidence supporting their allegation. In Plaintiffs' Response in Opposition to Defendant's Motion for JMOL Regarding Patent Infringement [doc. #225], Plaintiffs claim that "[i]t came to light at trial that, after having been formally advised of the '198 patent in November, 2003, GlowProducts continued to sell the EXA cubes."

cubes occurred after Defendant received the November 12, 2003 letter is not persuasive. Additional evidence of willfulness is discussed *supra* in the Court's analysis of copyright infringement.

A reasonable jury could have also found willful infringement of the '198 patent by the ICM cubes. Defendant had notice of Plaintiffs' intellectual property rights no later than November 2003. See Imonex Services, Inc. v. W.H. Munzprufer Dietmar Trenner GMBH, 408 F.3d 1374, 1377 (Fed. Cir. 2005) (recognizing that "[a]ctual notice of another's patent rights triggers an affirmative duty of due care"). Indeed, Defendant's defense to infringement was that the ICM cubes are not "adapted to retain heat/cold," a contention that is belied by Defendant's own advertising on its website. Furthermore, Defendant only sought the advice of counsel as to whether the ICM cubes infringed after Plaintiffs had filed suit. Reasonable jurors could draw different conclusions about whether Defendant's infringement was willful. Therefore, this Court holds that JMOL is not proper.

New Trial

A motion for a new trial is governed by the standard set forth by the Eighth Circuit. *Union Carbide Chems. & Plastics Tech. Corp. v. Shell Oil Co.*, 308 F.3d 1167, 1182 (Fed.Cir.2002) ("The denial of a motion for a new trial is a procedural issue not unique to patent law which this court reviews under the law of the appropriate regional circuit[.]"). "The grant of a motion for a new

trial is inappropriate unless 'the verdict is against the weight of the evidence and [ ] allowing it to stand would result in a miscarriage of justice." *Lampkins v. Thompson*, 337 F.3d 1009, 1016 (8th Cir. 2003). The Court has considered all of the evidence presented at trial and finds that the jury's verdict was not against the weight of the evidence. Thus, Defendant's Motion for a New Trial will be denied.

PLAINTIFFS' MOTION FOR PERMANENT INJUNCTION [DOC. #205]

The Patent Act gives federal courts the authority to grant permanent equitable relief to patent holders. 35 U.S.C. § 283 provides that "[t]he several courts having jurisdiction of cases under this title may grant injunctions in accordance with the principles of equity to prevent the violation of any right secured by patent, on such terms as the court deems reasonable. Congress gave federal courts similar authority relating to copyrights. According to 17 U.S.C. § 502, "[a]ny court having jurisdiction of a civil action arising under this title may, subject to the provisions of section 1498 of title 28, grant temporary and final injunctions on such terms as it may deem reasonable to prevent or restrain infringement of a copyright." In *eBay, Inc. v. MercExchange, L.L.C.*, reiterated that the traditional principles of equity apply when a court is deciding whether to award a permanent injunction against an infringing party. __ U.S. __, 126 S.Ct. 1837 (2006). Specifically, the plaintiff must show

> (1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction.

Id. at 1839.

In this case, Plaintiffs have demonstrated that they suffered an irreparable injury. Potential customers in the United States were buying infringing devices sold and imported by Defendant, instead of purchasing the products sold by Plaintiffs. Furthermore, damages are inadequate to compensate Plaintiff. If the Court fails to grant equitable relief, Defendants will be able to continue to sell and import its products in violation of Plaintiffs' intellectual property rights unless Plaintiffs file another lawsuit to enforce their rights. While Defendant claims that it has no intention of selling EXA cubes to consumers in the United States, the Court notes that Defendant admits that it still has in its warehouse inventory to be sold, and based upon Defendant's sales history, it is likely those products may find their way to the United States. Next, the Court finds that after balancing the hardships faced by both parties, Plaintiffs are entitled to equitable relief. Plaintiff VanderShuit went through the time and expense of developing the patented device and obtaining legal protections for his

invention in the form of a patent, trademark and copyright. Defendant has no such protection and seeks to poach customers in the United States in violation of Plaintiffs' rights. The Court believes that an injunction is necessary in order to prevent Defendant from continuing to sell and import its infringing products in the future. Finally, the Court finds that the public interest would not be disserved by a permanent injunction. Thus, the Court will grant Plaintiffs equitable relief.

The parties disagree as to the scope of the injunction. The Court will enter an injunction with the following terms:

> GlowProducts and each of its agents, affiliates, successors, servants, and employees, and any and all other persons or entities acting under GlowProducts' authority, are hereby enjoined from (1) at any time on or before July 28, 2020, making, using, offering for sale or selling in the United States or importing into the United States products which infringe U.S. Patent No. 6,416,198 ("the '198 patent") or (2) infringing U.S. Copyright Registration No. VA 1-117-699 ("the '699 copyright") by reproduction, preparing a derivative work, distribution, display, or claim authorship of any work that is substantially similar to the work depicted in the '699 copyright.

Appendix B

MOTIONS FOR FEES, COSTS, AND INTEREST

Prevailing Party

As a preliminary matter, the Court will determine if either Plaintiff or Defendant can be considered a prevailing party in this matter. "In designating those parties eligible for an award of litigation costs, Congress employed the term 'prevailing party,' a legal term of art." *Buckhannon Bd. and Care Home, Inc. v. West Virginia Dept. of Health and Human Resources,* 532 U.S. 598, 603 (2001). In this case, both parties have filed motions for attorney fees and costs.

"What counts as prevailing for purposes of an award of costs is a question of law." *Leonard v. Southwestern Bell Corp. Disability Income Plan,* 408 F.3d 528, 533 (8th Cir. 2005). The Supreme Court has defined a "prevailing party" as "[a] party in whose favor a judgment is rendered, regardless of the amount of damages awarded." *Buckhannon Bd. and Care Home, Inc.,* 532 U.S. at 603; *see also Hillside Enterprises v. Carlisle Corp.,* 69 F.3d 1410, 1416 (8th Cir. 1995) (defendant won judgment against plaintiff on counterclaim but plaintiff won larger judgment so plaintiff "logically" was considered the "prevailing party"). As used here, a "judgment" is "a court-ordered chang[e][in] the legal relationship between [the plaintiff] and the defendant" leading to a "material alteration of the legal relationship of the parties." *Id.* at 604 (alteration in original); *see also Republican Party of Minn. v. White,* 2006 WL 1687468, at *2 (8th Cir. June

20, 2006) (because Republican Party is now freely able to endorse candidates without risking an ethics violation, there was a material alteration in the relationship of the parties); *Forest Park II v. Hadley*, 408 F.3d 1052, 1060 (8th Cir. 2005) (winning declaratory judgment action did not change relationship between the parties because prior to the suit, the defendant had not taken any action against plaintiff).

Plaintiffs' Complaint alleged (1) patent infringement, (2) copyright infringement, (3) unfair competition, and (4) trademark infringement. The Court did not submit the claim of unfair competition to the jury, finding that insufficient evidence as a matter of law. All the other claims were submitted to the jury. First, the jury rejected all of Defendant's affirmative defenses. On the patent infringement claim, the jury found that Defendant willfully infringed Plaintiffs' patent, but awarded no damages. The jury also found willful copyright infringement and awarded Plaintiffs $30,000 in statutory damages and $120,000 in exemplary damages. Although the jury found that Defendant did not infringe Plaintiffs' trademark, the jury did find Plaintiffs' trademark to be valid.

This Court finds that Plaintiffs are the prevailing party. While both parties each "won" two claims, Plaintiffs changed their relationship with Defendant by being awarded $150,000. *See Leonard*, 408 F.3d at 532 n.3 (holding that plaintiff winning one of her claims and being awarded $20,000 in damages sufficed to make her a prevailing party).

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Plaintiffs' Motion for Attorney Fees, Costs and Interest [doc. #199]

Plaintiffs seek reimbursement pursuant to 17 U.S.C. § 505 and 35 U.S.C. § 285 for reasonable attorney fees incurred throughout this litigation. The fees awarded under the statutes are "for 'reasonable' fees based on a lodestar figure represented by the reasonable hourly rate multiplied by the hours expended in the litigation." *Pinkham*, 84 F.3d at 294.[9]

Fees Under the Copyright Act

The Copyright Act provides that attorney fees may be awarded to the prevailing party. Specifically, 17 U.S.C. § 505 provides that

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9. In *Junker v. Eddings*, the Federal Circuit noted that "'[t]he purpose of § 285 is . . . to compensate the prevailing party for its monetary outlays in the prosecution or defense of the suit[,]' and that 'attorney fees . . . include those sums that the prevailing party incurs in the preparation for and performance of legal services related to the suit.'" 396 F.3d 1359, 1365 (Fed. Cir. 2005). Reasonable fees are determined by multiplying the number of hours expended on the litigation by a reasonable hourly fee. The number of hours expended must be reasonable in light of the "tasks [which had to be] performed in connection with the litigation" and supported by documentation evidencing "hourly time records [and] full expense statements." *Id.* The hourly fees requested must be supported by "documentation of attorney hourly billing rates in the community for the particular type of work involved [and] the attorney's particular skills and experience."

> [i]n any civil action under this title, the court in its discretion may allow the recovery of full costs by or against any party other than the United States or an officer thereof. Except as otherwise provided by this title, the court may also award a reasonable attorney's fee to the prevailing party as part of the costs.

The Eighth Circuit has not adopted a definitive standard for when to award attorney's fees under the Copyright Act. *See Applied Innovations, Inc. v. Regents of the University of Minnesota*, 876 F.2d 626, 638 (8th Cir. 1989) (noting that there is no standard); *United Telephone Co. v. Johnson Publishing Co.*, 855 F.2d 604, 612 (8th Cir.1988) (reference to abuse of discretion standard in general). So, while "[t]here is no precise rule or formula for making these determinations," the court must consider certain factors when determining whether to award fees. *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534-35 (1994). These factors include (1) whether the litigation involved complex or novel questions; (2) whether the parties litigated in good faith; (3) frivolousness, motivation, objective unreasonableness (both in the factual and in the legal components of the case); and (4) the need in particular circumstances to advance considerations of compensation and deterrence. *See Applied Innovations, Inc.*, 876 F.2d at 638; *Mary Ellen Enterprises v. Camex, Inc.*, 68 F.3d 1065, 1072 (8th Cir. 1995); *Pinkham v. Camex, Inc.*, 84 F.3d 292, 294 (8th Cir. 1996); *Fogerty*, 510 U.S. at 534 n.19. Other circuits have also considered "(1) the defendant's status as innocent, rather than [as a] willful

or knowing, infringer (2) the plaintiff's prosecution of the case in bad faith, and (3) the defendant's good faith attempt to avoid infringement. *See Brooktree Corp. v. Advanced Micro Devices, Inc.*, 977 F.2d 1555, 1583 (Fed. Cir. 1992) (quoting *McCulloch v. Albert E. Price, Inc.*, 823 F.2d 316, 323 (9th Cir.1987)). Furthermore, the Court notes that "[b]ad faith or wilfulness is not a prerequisite to an award of attorneys' fees." *Mary Ellen Enterprises*, 68 F.3d at 1072.

Based on these factors, the Court holds that Plaintiff is entitled to attorney's fees and costs[10] under 17 U.S.C. § 505. This case did not include novel questions of fact or law. The cubes were virtually identical. Infringement was clear; indeed, the jury found the infringement to be willful. Also, as Defendant noted, this case involved "an extremely simple novelty item." The Court finds that the Plaintiffs did not prosecute the case in bad faith, and there was a lack of good faith by Defendant in attempting to avoid infringement. The Court also finds that there is a need to deter future copyright infringement when the infringement is as clear as the infringement was in this case and actual damages are negligible.

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10. The costs allowable under 17 U.S.C. § 505 are limited to the costs expressly identified in 28 U.S.C. § 1920. *Pinkham*, 84 F.3d at 295. Since the Court found *supra* that Plaintiffs are the prevailing party, Plaintiffs are also entitled to costs under 28 U.S.C. § 1920. For simplicity, since the same costs are recoverable under 28 U.S.C. § 1920 and 17 U.S.C. § 505, the Court will analyze all of Plaintiffs' requests for costs in the *infra* analysis of "Plaintiffs' Supplemental Motion for Bill of Costs" [doc. #201].

Appendix B

Fees Under the Patent Act

Courts are also permitted to award attorney fees in certain "exceptional" cases. According to 35 U.S.C. § 285, "[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party." The court must complete a two step process. First, the court must determine whether the prevailing party has proved by clear and convincing evidence that the case is "exceptional." *See Stephens v. Tech Intern., Inc.*, 393 F.3d 1269, 1273 (Fed. Cir. 2004); *Forest Laboratories, Inc. v. Abbott Laboratories*, 339 F.3d 1324, 1327 (Fed. Cir. 2003). "The criteria for declaring a case exceptional include willful infringement, bad faith, litigation misconduct and unprofessional behavior." *Imonex Services, Inc.*, 408 F.3d at 1378; *see also Golight, Inc. v. Wal-Mart Stores, Inc.*, 355 F.3d 1327, 1339-40 (Fed. Cir. 2004) ("willfulness of the infringement by the accused infringer may be a sufficient basis in a particular case for finding the case 'exceptional'"); *nCube Corp.*, 436 F.3d at 1325 (same); *Union Carbide Chemicals & Plastics Technology Corp.*, 425 F.3d at 1372 ("A finding of willful infringement may qualify a case as exceptional under 35 U.S.C. § 285 (1952), thereby allowing a party to obtain enhanced damages.").

Second, if the court finds the case to be "exceptional," the court "must then determine whether an award of attorney's fees is appropriate[.]" *Stephens*, 393 F.3d at 1273. The fact that actual damages are not awarded in a case does not make an award of attorney fees improper. *Knorr-Bremse*, 383 F.3d at 1347.

"Attorney fees are compensatory, and may provide a fair remedy in appropriate cases. Upon a finding of willful infringement, the award of attorney fees is within the district court's sound discretion." *Id.* However,

> [a] jury finding of willful infringement merely *authorizes*, but does not *mandate*, an award of increased damages. Furthermore, a court is not required to award attorney fees, even when there is an express finding of willful infringement. An express finding of willful infringement is a sufficient basis for classifying a case as 'exceptional,' and indeed, when a trial court denies attorney fees in spite of a finding of willful infringement, the court must explain why the case is *not* 'exceptional' within the meaning of the statute.

Group One, Ltd. v. Hallmark Cards, Inc., 407 F.3d 1297, 1308 (Fed. Cir. 2005) (internal citations and quotations omitted); *see also Rite-Hite Corp. v. Kelley Co., Inc.*, 819 F.2d 1120, 1126 (Fed. Cir. 1987) (the court's decision of whether to award fees is based on the "court's familiarity with the matter in litigation and the interest of justice").

The purpose of awarding attorney's fees under 35 U.S.C. § 285 is two-fold; it deters infringement by penalizing the infringer and prevents "gross injustice" when parties litigate in bad faith. *See Forest Laboratories, Inc.*, 339 F.3d at 1328; *Beckman Instruments, Inc. v. LKB Produkter AB*, 892 F.2d 1547, 1552 (Fed. Cir. 1989). Indeed, "[w]hen infringement is

found to be willful, the policy behind § 285 of discouraging infringement might justify imposing all of the patent owner's attorney fees on the infringer, even if the infringer prevailed as to some of the claims in suit." *Beckman Instruments, Inc.*, 892 F.2d at 1553 (noting that in other situations, the extent of the parties' success should be taken into account in determining fees); *see also Mathis v. Spears*, 857 F.2d 749, 755 (Fed. Cir. 1988) (attorney should be awarded full compensatory fee).

The Court finds this case to be "exceptional" based on the jury's verdict of willfulness.[11] Furthermore, the Court believes that awarding attorney's fees in this case comports with the purpose behind 35 U.S.C. § 285. Intellectual property enforcement litigation is extremely complicated, and thus, becomes expensive very quickly. Such litigation is virtually unaffordable for relatively small companies seeking to protect their intellectual property rights, especially because the litigation costs will often dwarf the actual damages. In this case in particular, the actual damages awarded by the jury was $150,000.00, which is not an insubstantial amount. However, the over $400,000 in attorney's fees far exceeds the actual damages. Defendant in this case willfully infringed Plaintiffs' patent and copyright. Without an award of attorney fees in cases of this type,

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11. All of Defendant's arguments against awarding fees relate to the jury's finding of willfulness. The Court thoroughly discussed the evidence supporting willfulness *supra*, when discussing the merit of Defendant's motions for JMOL.

willful infringers will know that enforcement of intellectual property rights will be cost prohibitive due to the high cost of litigation. An award of attorney's fees is proper in cases such as this case, so that willful infringers will be punished and deterred.

Plaintiffs' Supplemental Motion for Bill of Costs [doc. #201]

"[C]osts other than attorneys' fees shall be allowed as of course to the prevailing party unless the court otherwise directs." Fed. R. Civ. P. 54(d). "However, such costs must be set out in 28 U.S.C. § 1920 or some other statutory authorization." *Smith v. Tenet Healthsystem SL, Inc.*, 436 F.3d 879, 889 (8th Cir. 2006). Pursuant to 28 U.S.C. § 1920, costs may be taxed for:

> (1) Fees of the clerk or marshal;
>
> (2) Fees of the court reporter for all or any part of the stenographic transcript necessarily obtained for use in the case;
>
> (3) Fees and disbursements for printing and witnesses;
>
> (4) Fees for exemplification and copies of papers necessarily obtained for use in the case;
>
> (5) Docket fees under section 1923 of this title;

> (6) Compensation of court appointed experts, compensation of interpreters, and salaries, fees, expenses, and costs of special interpretation services under section 1828 of this title.

28 U.S.C. § 1920 (2000). The Court may not award costs not authorized by § 1920 because § 1920 "imposes 'rigid controls on cost-shifting in federal courts.'" *Brisco-Wade v. Carnahan*, 297 F.3d 781, 782 (8th Cir. 2002) (citation omitted).

Plaintiffs seeks an award of $17,649.35 to be taxed against Defendant for various costs incurred in prosecuting this action prior to and during trial.

Fees of the Clerk

Plaintiffs seek an Order taxing Defendant $150 for fees of the Clerk. Plaintiffs have provided documentation that such fees were incurred in filing this action. This Court will tax Plaintiff $150 for fees of the Clerk.

Fees of the court reporter for all or any part of the transcript necessarily obtained for use in the case

Plaintiffs seek an Order taxing Defendant $6,831.11 for fees of the court reporter for all or any part of the transcript necessarily obtained for use in the case. Plaintiffs incurred fees of $170.60 for the deposition of Lawrence Kamm taken on March 28, 2005; $850.05 for

the depositions of Carl VanderSchuit and Ed Galicki taken on March 28, 2005; $341.65 for the deposition of David Warren VanderSchuit taken on April 6, 2005; $1,708.50 for the deposition of Bob Bryant taken on April 26, 2005; $270.60 for the deposition of Derek Pettigrew taken on April 26, 2005; $832.75 for the deposition of Leonard Kensit and Huston Hill taken on April 26, 2005; $656.20 for the deposition of Ann Mescher taken on April 29, 2005; $25.00 for the deposition of Ed Galicki taken on May 16, 2005; $576.71 for the video deposition of Anke Kolb taken on July 11, 2005; $486.95 for the deposition of Scott Hampton taken on July 14, 2005; $620.70 for the deposition of Anke Kolb taken on July 19, 2005; and $291.40 for the deposition of Bob Bryant taken on July 28, 2005.

A district court has the discretion to tax costs incurred incident to the taking of depositions when the depositions are "necessarily obtained for use in the case." *Zotos v. Lindbergh Sch. Dist.*, 121 F.3d 356, 363 (8th Cir. 1997). Furthermore,

> the determination of necessity must be made in light of the facts known at the time of the deposition, without regard to intervening developments that later render the deposition unneeded for further use. In other words, the underlying inquiry is whether the depositions reasonably seemed necessary at the time they were taken.

Id. (internal citations and quotations omitted). "Unless the opposing party interposes a specific objection that a deposition was improperly taken or unduly prolonged, deposition costs will be taxed as having been 'necessarily obtained for the use in the case' within the meaning of 28 U.S.C. § 1920." *Meder v. Everest & Jennings, Inc.*, 553 F. Supp. 149, 150 (E.D. Mo.1982). "A district court may tax transcription costs if a deposition was 'necessarily obtained for use in a case' and was not 'purely investigative.'" *Marmo v. Tyson Fresh Meats, Inc.*, __ F.3d __, 2006 WL 2165734, at *10 (8th Cir. August 3, 2006).

Defendant argues that many of the depositions were unnecessary because they were purely discovery in nature and others were not used at trial. Defendant noticed up Mr. Kamm, Mr. Carl VanderSchuit, Mr. Galicki, and David VanderSchuit for deposition. The costs requested by Plaintiffs are limited to the cost of a copy of the transcript of the depositions. Defendant cannot call the depositions and then claim that the depositions were not necessary. Furthermore, the standard is not whether a deposition is introduced or referred to during trial. Costs of a deposition are taxable if it was necessarily obtained for use in the case. The other three deponents, Mr. Bryant, Dr. Mescher, and Mr. Hampton were all called during trial, and the depositions were necessary for impeachment purposes. The Court finds that all of the depositions were reasonably necessary.

Of the $6,831.11 requested for transcripts, $141.86 is for shipping and handling costs. A recent Eighth Circuit case holds that "Section 1920 does not authorize taxing [the non-prevailing party] for the [prevailing party's] postage and delivery expenses." *Smith*, 436 F.3d at 889; see also *Hollenbeck v. Falstaf Brewing Corp.*, 605 F.Supp. 421, 439 (E.D. Mo. 1984) (postage fees ordinarily not taxable as costs). The $141.86 for shipping and handling will be deducted from the $6,831.11 requested. Therefore, this Court will tax Plaintiff a total of $6,689.25 for fees of the court reporter for all or any part of the transcript necessarily obtained for use in the case.

Fees for witnesses

Plaintiffs seek an Order taxing Defendant $4,890.00 for witness fees of Anke Kolb, Scott Hampton, and Kevin Trankler. Title 28, United States Code, Section 1821 mandates the circumstances when witness expenses are taxable as costs and to be awarded to the prevailing party. "A witness shall be paid an attendance fee of $40 for each day's attendance." 28 U.S.C. § 1821(b). The statute also provides for, *inter alia*, transportation by common carrier (§ 1821(c)(1)), cab fares and parking fees (§ 1821(c)(3)), and all normal travel expenses (§ 1821(c)(4)). "[T]he taxing of fees and mileage for witnesses in federal courts is within the sound discretion of the trial court." *Spiritwood Grain Co. v. Northern Pac. Ry. Co.*,179 F.2d 338, 344 (8th Cir. 1950). "This Court has awarded expert witness fees, however, under Fed.R.Civ.P. 54(d) if, after carefully scrutinizing the

prevailing party's bill of costs, the district court determines that the expert's testimony was crucial to the issues decided and the expenditures were necessary to the litigation." *Nebraska Public Power Dist. v. Austin Power, Inc.*, 773 F.2d 960, 975 (8th Cir. 1985).

In this case, the Court uses its discretion and deems the witness was reasonably necessary in this case. *See Linneman Constr., Inc. v. Montana-Dakota Utilities Co.*, 504 F.2d 1365, 1372 (8th Cir. 1974) (holding that the Eighth Circuit allows expenses for only such number of witnesses and for the number of days as the court deems reasonable). First, Plaintiffs seek $40 for the attendance of Anke Kolb at deposition and $10.00 for travel costs. The Court finds the witness was reasonably necessary. Next, Plaintiffs request $900 for "Deposition charges by Campos & Stratis, Inc. for Scott Hampton Deposition." It is unclear what the $900 fee is, from the documentation submitted to the Court. Thus, because the Court may not award costs not authorized by § 1920, the cost will not be taxed to Defendant. *See Marmo*, 2006 WL 2165734, at *11 (district court refused to award costs that were described insufficiently). Finally, Plaintiffs seek $3,940.00 for costs associated with the expert witness fees of Dr. Trankler. The Court finds that his testimony was "crucial" to the issue of whether Defendant's cubes were "adapted to retain heat/cold." Thus, his expert fees will be taxed to Defendant. Therefore, this Court will tax Defendant $3,990.00 for witness fees.

Appendix B

Fees for exemplification and copies of papers necessarily obtained for use in the case

Plaintiffs seek an Order taxing Defendant $5,778.24 for fees for exemplification and copies of papers necessarily obtained for use in the case. "To recover for costs associated with photocopying, it is incumbent on the Defendant to show *at least* what the documents were and what use was made of these documents." *Glastetter v. Sandoz,* 2000 WL 34017154, at *1 (E.D. Mo. October 3, 2000) (emphasis added). Here, Plaintiffs list the number of copies, the cost of the copies and what the copies were. The copies were documents requested during discovery, copies of documents produced by Defendant for use at depositions and in briefing, service copies, and copies of Plaintiffs' trial exhibits for use at trial. In Plaintiffs' briefing, Plaintiffs further represent that they made every attempt to keep copying costs at a minimum by not having a working set of discovery documents for their convenience. The Court finds the amount requested by Plaintiffs is reasonable. Therefore, this Court will tax Defendant $5,778.24 for fees for exemplification and copies of papers necessarily obtained for use in the case.

Interest on Money Judgment

Statutory Post-Judgment Interest

Pursuant to 28 U.S.C. § 1961(a), "[i]nterest shall be allowed on any money judgment in a civil case recovered in a district court." Plaintiffs are entitled to interest on

the $150,000.00 Clerk's Judgment entered on October 7, 2005. The amount of "interest shall be calculated from the date of the entry of the judgment, at a rate equal to the weekly average 1-year constant maturity Treasury yield, as published by the Board of Governors of the Federal Reserve System, for the calendar week preceding the date of the judgment. 28 U.S.C. § 1961(a). The statutory post-judgment rate for the calendar week preceding the judgment was 3.97%. "Interest shall be computed daily to the date of payment. . .and shall be compounded annually. 28 U.S.C. § 1961(b).

Pre-Judgment Interest

This Court holds that Plaintiffs are also entitled to pre-judgment interest on the $150,000 statutory copyright infringement damages at a rate of 1.41%.[12] *See Paramount Pictures Corp. v. Metro Program Network, Inc.*, 1991 WL 348168, at *12 (N.D. Iowa Apr. 8, 1991), *aff'd* 962 F.2d 775 (8th Cir. 1992) (noting that there is no Eighth Circuit authority, but electing to follow other well-reasoned opinions from other courts); *see also Saturn Mfg., Inc. v. Williams Patent Crusher & Pulverizer Co.*, 713 F.2d 1347 (8th Cir. 1983) (relating to pre-judgment interest for patent infringement). The amount of interest shall be calculated from the date of the filing of this lawsuit, April 23, 2004, through October 7, 2005, the date of the entry of the judgment.

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12. 1.41% is the interest rate equal to the weekly average 1-year constant maturity Treasury yield, as published by the Board of Governors of the Federal Reserve System, for the calendar week preceding the date the lawsuit was filed.

Appendix B

Defendant's Motion for Bill of Costs [doc. #216]

As the Court set forth earlier, "costs other than attorneys' fees shall be allowed as of course to the prevailing party unless the court otherwise directs." Fed. R. Civ. P. 54(d). As the Court held *supra*, Plaintiffs are the prevailing party in this action. Defendant is not entitled to costs under Rule 54(d) of the Federal Rules of Civil Procedure.

Defendant's Cross-Motion for Attorneys' Fees and Costs [doc. #218]

Defendant argues that it is entitled to fees and costs as a prevailing party under the Lanham Act, 15 U.S.C. § 1051, et seq. and under Rule 68 of the Federal Rules of Civil Procedure. The Court will address each argument.

Rule 68 Offers

Defendant claims that it is entitled to all costs it incurred after it made an Offer of Judgment prior to trial. According to Rule 68 of the Federal Rules of Civil Procedure,

> At any time more than 10 days before the trial begins, a party defending against a claim may serve upon the adverse party an offer to allow judgment to be taken against the defending party for the money or property or to the effect specified in the offer, with costs then

> accrued. If within 10 days after the service of the offer the adverse party serves written notice that the offer is accepted, either party may then file the offer and notice of acceptance together with proof of service thereof and thereupon the clerk shall enter judgment. An offer not accepted shall be deemed withdrawn and evidence thereof is not admissible except in a proceeding to determine costs. If the judgment finally obtained by the offeree is not more favorable than the offer, the offeree must pay the costs incurred after the making of the offer. The fact that an offer is made but not accepted does not preclude a subsequent offer. When the liability of one party to another has been determined by verdict or order or judgment, but the amount or extent of the liability remains to be determined by further proceedings, the party adjudged liable may make an offer of judgment, which shall have the same effect as an offer made before trial if it is served within a reasonable time not less than 10 days prior to the commencement of hearings to determine the amount or extent of liability.

The Court has reviewed the exhibits submitted to the Court by Defendant in support of its request for costs under Rule 68. Defendant purports that there were three Offers of Judgment made pursuant to Rule 68. The Court will address each seriatim.

Chronologically, the first purported offer was made in an email dated August 10, 2005. In the email, sent by Bob Bryant to Carl VanderSchuit, Mr. Bryant suggested that the three "principals" from Litecubes, L.L.C., Northern Light Products, and Chemical Light[13] meet in Chicago to discuss settlement. Mr. Bryan [sic] makes what he calls a "proposal," suggesting that the terms "can be accomplished in a relatively short time with no out of pocket expense to Litecube or Chemical Light." Defendant points to a particular "term" in support of its claim that it gave Plaintiffs an offer more favorable than the ultimate judgment. In its Reply Brief in Support of GlowProducts' Cross-Motion for Attorneys' Fees and Costs, Defendant argues that "[t]he referenced e-mail where GlowProducts offered $400,000 for settlement came months before trial[.]" After scouring the emails provided to the Court, the Court found a "term" providing that "Chemical Light pays the difference between 'actual product cost' and an agreed purchase price to NLP [Northern Light Products] totaling US $400,000 paid in equal monthly installments over the same predetermined time. The Court finds that the $400,000 "offer" is not an offer at all. The provision referenced by Defendant is not an offer of $400,000 to Plaintiffs; it is an "offer" that Chemical Light pay Defendant $400,000.

The second purported offer was a document titled "Defendant's Offer of Judgment," dated September 20,

13. The Court is not familiar with "Chemical Light" since it has not played a role in this lawsuit. The Court guesses that Chemical Light is another seller of lighted ice cubes.

2005. The Court finds that this offer satisfies the requirements of Rule 68. The offer is timely and written. The offer states, "[f]or infringement based on the sale of products referred to in this litigation as the 'EXA cubes,' of which only 9,520 are agreed between the parties to have been sold, GlowProducts agrees to the amount of $5,000 in total damages exclusive of fees and costs." In this case, Plaintiffs were awarded by the jury no damages for patent and trademark infringement, but were awarded $150,000 for copyright infringement. The Rule 68 Offer of $5,000 for "infringement" is clearly not as favorable as the $150,000 that jury awarded to Plaintiffs.[14]

The final purported offer was made by Defendant on September 23, 2006. The Court finds that the offer was not timely under Rule 68. Trial started in this case on October 3, 2005. Ten days prior to trial, taking into account Rule 6 of the Federal Rules of Civil Procedure,[15] was September 20, 2005. Thus, any offers made after

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14. Defendant argues that the Rule 68 Offer was for patent infringement only, and thus, the $5,000 was more favorable than the jury's award of $0. However, the Court finds that the plain language of the offer includes all infringement, and is not limited to patent infringement.

15. Rule 6 provides, *inter alia*, that "[w]hen the period of time prescribed or allowed is less than 11 days, intermediate Saturdays, Sundays, and legal holidays shall be excluded in the computation" and "[w]henever a party must or may act within a prescribed period after service and service . . . 3 days are added after the prescribed period would otherwise expire under subdivision (a)."

that date are ineffectual. Since Defendant's offer was not made until September 23, 2005, it is not a valid offer under Rule 68. Therefore, Defendant is not entitled to costs for any purported offer made pursuant to Rule 68.

Exceptional Case under Lanham Act, 15 U.S.C. § 1117(a)

Defendant argues it should be awarded fees and costs for its "victory" on the trademark and unfair competition claims, pursuant to 15 U.S.C. § 1117(a). Section 1117(a) provides, in relevant part, "[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party." Under the Lanham Act, "[a]n exceptional case is one where the plaintiff's claim "'is groundless, unreasonable, vexatious, or pursued in bad faith.'" *Blue Dane Simmental Corp. v. American Simmental Ass'n*, 178 F.3d 1035, 1043 (8th Cir. 1999); *see also Scott Fetzer Co. v. Williamson*, 101 F.3d 549, 555 (8th Cir. 1996). Defendant argues that Plaintiffs' claims of trademark infringement and unfair competition were groundless.

Under the Lanham Act, "any person who . . . uses in commerce any word, term, [or] name . . . which . . . is likely to cause confusion . . . shall be liable in a civil action[.]" 15 U.S.C. § 1125(a)(1); *see also Davis v. Walt Disney Co.*, 430 F.3d 901, 903 (8th Cir. 2005). In *SquirtCo v. Seven-Up Co.*, 628 F.2d 1086, 1091 (8th Cir.1980), the Eighth Circuit set forth the factors that a court should consider when assessing likelihood of confusion.

> These can be enumerated as: 1) the strength of the plaintiff's mark; 2) the similarity between the plaintiff's and defendant's marks; 3) the degree to which the allegedly infringing product competes with the plaintiff's goods; 4) the alleged infringer's intent to confuse the public; 5) the degree of care reasonably expected of potential customers, and 6) evidence of actual confusion.

Davis, 430 F.3d at 903 (citing *SquirtCo*, 628 F.2d at 1086). In order "to protect persons engaged in commerce against . . . unfair competition," the Lanham Act also prohibits "[a]ny person who, . . . in connection with any . . . services, . . . uses in commerce any . . . false or misleading representation of fact, which . . . in commercial advertising or promotion, misrepresents the nature, characteristics, [or] qualities . . . [of] another person's . . . services." *Allsup, Inc. v. Advantage 2000 Consultants Inc.*, 428 F.3d 1135, 1138 (8th Cir. 2005) (quoting 15 U.S.C. § 1125(a)(1)(B)). "Full and fair competition requires that those who invest time, money and energy in the development of good will and a favorable reputation be allowed to reap the advantages of their investment. *Armstrong Cork Co. v. Armstrong Plastic Covers Co.*, 434 F.Supp. 860, 871 (E.D. Mo. 1977).

The Court finds that Plaintiffs' unfair competition and trademark infringement claims were not "groundless, unreasonable, vexatious, or pursued in bad faith." Defendant argues that Plaintiffs' claims were

"groundless." A case will not necessarily be considered exceptional simply because a plaintiff does not prevail. *See Blue Dane Simmental Corp.*, 178 F.3d at 1043 (holding the trademark infringement case was not exceptional following a grant of JMOL); *Scott Fetzer Co.*, 101 F.3d at 555 (finding that case was not exceptional, regardless of the grant of JMOL, because there was some evidence in the record to support plaintiff's claims); *Beckman Instruments, Inc.*, 892 F.2d at 1551-52 ("With respect to the other defense and counterclaim which were dropped, the mere fact that an issue was pleaded and then dropped prior to trial does not in itself establish vexatious litigation.").

In this case, prior to the Court instructing the jury, Plaintiffs voluntarily withdrew their claim of unfair competition. The Court instructed the jury on the issue of trademark infringement. While the jury found no infringement, it did find the trademark to be valid.

The Court holds that Plaintiffs' claims were not baseless. Plaintiffs set forth evidence relating to the likeliness of confusion between Plaintiffs' and Defendant's products. The strength of the mark was underscored by the jury's finding that Plaintiffs' trademark was valid. Also, Plaintiffs presented evidence that Defendant purchased the term "Litecubes" as a search term on Yahoo!, Google, and MSN, evidencing the "similarity" between the marks. There was a significant amount of evidence presented demonstrating that Plaintiffs' and Defendant's products were in direct competition. Finally, Plaintiff Carl VanderSchuit

testified about actual confusion of customers trying to distinguish between Plantiffs and Defendant's products. Thus, the Court holds that this case is not exceptional under the Lanham Act, and the Defendant is not entitled to fees and costs.

Accordingly,

IT IS HEREBY ORDERED that Defendant's Motion to Dismiss for Lack of Subject Matter Jurisdiction [doc. #195] is **DENIED.**

IT IS FURTHER ORDERED that Defendant's Motion for Judgment as a Matter of Law Regarding Copyright Infringement, or Alternatively, for Remittitur [doc. #197] is **DENIED.**

IT IS FURTHER ORDERED that Plaintiffs' Motion for Attorney Fees, Costs and Interest [doc. #199] is **GRANTED.** The Court will award all reasonable attorney's fees plus lawful interest. The Court makes no finding as to a reasonable amount of fees at this time. Plaintiff shall provide complete billing records and supporting documentation[16] to the Court no later than September 18, 2006 in order for the Court to make a determination as to the reasonable attorney's fees incurred in this case. Defendant shall file any objections to the reasonableness of such fees requested within 10 days thereafter.

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16. *See supra* footnote 9 for a description of the necessary documentation.

IT IS FURTHER ORDERED that Plaintiffs' Supplemental Motion for Bill of Costs [doc. #201] is **GRANTED in Part, and DENIED in Part.** It is Ordered that the Clerk of this Court shall tax costs against Defendant Northern Light Products in favor of Plaintiffs Litecubes, L.L.C. and Carl VanderSchuit in the amount of ***$16,607.49*** constituting: $150 for Fees of the Clerk; $6,689.25 for Fees of the court reporter for all or any part of the transcript necessarily obtained or use in the case; $3,990.00 for Witness fees; and $5,778.24 for Fees for exemplification and copies of papers necessarily obtained for use in the case.

IT IS FURTHER ORDERED that Defendant's Motion to Stay Briefing for all Motions for Attorneys' Fees, Costs and Interest [doc. #202] is **DENIED as Moot.**

IT IS FURTHER ORDERED that Plaintiffs' Motion for Permanent Injunction [doc. #205] is **GRANTED.** GlowProducts and each of its agents, affiliates, successors, servants, and employees, and any and all other persons or entities acting under GlowProducts' authority, are hereby enjoined from (1) at any time on or before July 28, 2020, making, using, offering for sale or selling in the United States or importing into the United States products which infringe U.S. Patent No. 6,416,198 ("the '198 patent") or (2) infringing U.S. Copyright Registration No. VA 1-117-699 ("the '699 copyright") by reproduction, preparing a derivative work, distribution, display, or claim authorship of any work that is substantially similar to the work depicted in the '699 copyright.

IT IS FURTHER ORDERED that Defendant's Motion for Judgment as a Matter of Law Regarding Patent Infringement, or Alternatively, for a New Trial [doc. #213] is **DENIED.**

IT IS FURTHER ORDERED that Defendant's Motion for Bill of Costs [doc. #216] is **DENIED.**

IT IS FURTHER ORDERED that Defendant's Cross-Motion for Attorneys' Fees and Costs [doc. #218] is **DENIED.**

Dated this *25th* day of August, 2006.

s/ E. Richard Webber
E. RICHARD WEBBER
UNITED STATES DISTRICT JUDGE

APPENDIX C — ORDER OF THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT FILED JUNE 19, 2008

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

2006-1646

LITECUBES, LLC, and CARL R. VANDERSCHUIT,

Plaintiffs-Appellees,

v.

NORTHERN LIGHT PRODUCTS, INC.
(doing business as GlowProducts.com),

Defendant-Appellant.

June 19, 2008 , Decided
June 19, 2008 , Filed

ORDER

A combined petition for panel rehearing and for rehearing en banc having been filed by the Appellant, and a response thereto having been invited by the court and filed by the Appellees, and the petition for rehearing and response, having been referred to the panel that heard the appeal, and thereafter the petition for rehearing en banc and response having been referred to the circuit judges who are in regular active service,

Appendix C

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for panel rehearing be, and the same hereby is, DENIED and it is further

ORDERED that the petition for rehearing en banc be, and the same hereby is, DENIED.

The mandate of the court will issue on June 26, 2008.

Dated: 06/19/2008

APPENDIX D — RELEVANT STATUTES

17 U.S.C. § 106. Exclusive rights in copyrighted works

Subject to sections 107 through 122, the owner of copyright under this title has the exclusive rights to do and to authorize any of the following:

(1) to reproduce the copyrighted work in copies or phonorecords;

(2) to prepare derivative works based upon the copyrighted work;

(3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending;

(4) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly;

(5) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly; and

(6) in the case of sound recordings, to perform the copyrighted work publicly by means of a digital audio transmission.

Appendix D

17 U.S.C. § 602. Infringing importation of copies or phonorecords

(a) Importation into the United States, without the authority of the owner of copyright under this title, of copies or phonorecords of a work that have been acquired outside the United States is an infringement of the exclusive right to distribute copies or phonorecords under section 106, actionable under section 501. This subsection does not apply to—

(1) importation of copies or phonorecords under the authority or for the use of the Government of the United States or of any State or political subdivision of a State, but not including copies or phonorecords for use in schools, or copies of any audiovisual work imported for purposes other than archival use;

(2) importation, for the private use of the importer and not for distribution, by any person with respect to no more than one copy or phonorecord of any one work at any one time, or by any person arriving from outside the United States with respect to copies or phonorecords forming part of such person's personal baggage; or

(3) importation by or for an organization operated for scholarly, educational, or religious purposes and not for private gain, with respect to no more than one copy of an audiovisual work solely for its archival purposes, and no more than five copies or phonorecords of any other work for its library lending or archival purposes, unless the importation of such copies or phonorecords is part of an activity consisting of systematic reproduction or distribution, engaged in by such organization in violation of the provisions of section 108(g)(2).

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Appendix D

35 U.S.C. § 271. Infringement of patent

(a) Except as otherwise provided in this title, whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States, or imports into the United States any patented invention during the term of the patent therefor, infringes the patent.

(b) Whoever actively induces infringement of a patent shall be liable as an infringer.

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